



Productive investment decisions in Welsh firms

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Executive summary

In 2024, the Enterprise Research Centre (ERC), funded by the Productivity Institute (TPI), surveyed a nationally representative sample of 1,623 UK firms to explore business investment decisions. The primary focus of the survey was to understand why and how firms make these investment decisions. This is significant, as the UK's low level of business investment is often cited as a reason for slow productivity growth.

The survey targeted private firms with 10 or more employees that made substantial investments of £5,000 or more between 2019

and 2024. Interviews were carried out using Computer Aided Telephone Interviewing (CATI), and fieldwork occurred between June and October 2024.

Economic Intelligence Wales commissioned ERC to analyse the findings specifically for Wales. This report covers the investment decisions of 150 Welsh firms who responded to the survey.

The key results, based on weighted survey data, are as follows:

Profile of Welsh firms that made significant investments in 2019 – 2024

- Welsh firms in the survey had an average of 45 staff and a £3.8 million turnover; they were 35 years old, with 63% being family-owned, 5% foreign-owned, and 11% engaged in exports. The most common sector was administrative and support services, education, health, recreation and other services (40%).
- Compared to the rest of the UK, Welsh firms reported lower average turnover, were more likely to belong to the support and other services sector, more likely to sell services, and less likely to export.
- Welsh firms prioritised financial goals as important business objectives, particularly sustaining cash flow (95%). Social objectives, such as generating social or community benefits, were less frequently considered important (74%). This trend is also observed in the rest of the UK, although some differences exist. For example, compared to the rest of the UK, Welsh firms were less inclined to view increasing efficiency as important (88% vs. 95%) but more inclined to consider generating social or community benefits as important (74% vs. 62%).

Executive summary

Significant investment patterns

- Consistent with the rest of the UK, between 2019 and 2024, Welsh firms made an average of 4 significant business investments, primarily in tangible assets (47%) or a combination of tangible and intangible assets (42%). Fewer Welsh firms invested in machinery (42% vs. 62% in the rest of the UK), while more invested in staff training or education (87% vs. 72%). A high share of firms making intangible investments is encouraging as intangible investments are linked to higher productivity though they are also more difficult to use as collateral in debt financing.
- Welsh firms typically invested in several years during the 2019 to 2024 period, emphasising significant investment as a regular business activity. As in the rest of the UK, external shocks, including the COVID-19 pandemic, the Brexit transition and the cost of doing business crisis, disrupted investment for a large share of firms, which might have a knock-on effect on productivity growth in the future.

Investment planning

- 67% of Welsh firms planned their most strategically significant investments in under a year (88% completed their planning within three years), expecting returns to be relatively quick and certain.
- As with the rest of the UK, a large proportion of Welsh firms did not use formal methods for investment planning. For example: 47% of Welsh firms did not have a business investment plan for 2024, 49% did not develop a business case for their most strategic investment, 36% did not evaluate the proposed investment, and 25% did not monitor its performance after completion. The lack of formalised strategies did not stop Welsh firms from making significant investments, but it could potentially reduce the productivity benefits of those investments.

Investment funding

- From 2019 to 2024, Welsh firms invested, on average, 16% of their turnover in tangible assets and 8% in intangible assets. Internal company funds were by far the most common source of investment funding (e.g., 91% for intangible investments). Bank loans or overdrafts were more frequently used for tangible rather than intangible investments (24% versus 13%). These financing patterns are similar to those in the rest of the UK.

Executive summary

Motivations for making investments

- Welsh firms made significant investments for various purposes, primarily to enhance business productivity (c. 76% of firms investing in any asset type). Indeed, improving business productivity is the most frequently cited reason for making an investment. However, when asked about their most important reason for investing, productivity ranks only fourth.
- Welsh businesses expected a combination of benefits from their most strategic investments (mainly to introduce new goods/services or improve existing ones, as cited by 78%). They took into account multiple factors when evaluating and approving their most important investments (primarily costs and anticipated risks). This indicates that businesses are driven by multiple benefits and motivations for investment rather than just one or two key reasons.
- There were several differences in investment motivations between firms in Wales and those in the rest of the UK. Welsh firms were less likely to invest to enhance the efficiency of business processes (e.g., 64% vs. 78% in tangible investments) and more inclined to see the introduction of new goods or services (or the improvement of existing ones) as the primary purpose of their investments (e.g., 27% vs. 15% for tangible investments). Welsh firms were less likely to expect returns in terms of increased company profit and growth (70% vs. 83%) from their most strategic investment and were less inclined to consider expected returns in their approval decisions (63% vs. 78% in the rest of the UK).
- Differences in investment motivations and business characteristics between Wales and the rest of the UK suggest that investment findings relevant to the UK as a whole may not be directly applicable to Wales.

Investment decision-makers

- Wales is similar to the rest of the UK in terms of the average number of people involved in business investment decisions (3), as well as the proportion of investment decision-makers who are women (41%) and from ethnic minority groups (7%).
- Individuals in Welsh firms who proposed the key investment ideas generally held the highest levels of responsibility (e.g., CEOs), had significant work experience (averaging 27 years), and possessed a high level of education (56% holding university degrees). In most cases, the individuals involved in investment decisions remained the same throughout the process. Additionally, 24% of Welsh firms involved external stakeholders in their investment decisions. These findings are comparable to those of the rest of the UK.
- The above indicates that key stakeholders affecting business investments stay consistent throughout the investment process. For some Welsh companies, depending on the stage of investment, other stakeholders may also influence the process.

Executive summary

Investment interaction

- In approving their most strategically significant investments, 47% of Welsh firms considered the largely complementary effects of the proposed investment on other business investments. 27% of firms reported that their overall high satisfaction with their investments positively influenced other investments, indicating a link between satisfaction and business investment.
- When asked to identify their most strategically significant investment, firms mainly listed several investment sub-types, which may indicate synergies or interactions between different investments. Therefore, helping firms improve their investment processes and consider investment interaction could encourage future investments and maximise benefits.

Policy implications

Most aspects of investment decision-making in Welsh firms proved similar to those in the rest of the UK, suggesting rather similar policy implications. For example, just under half of Welsh firms adopt formal investment planning approaches, a similar proportion to the rest of the UK. More generally, investment planning and evaluation in Welsh firms is more often informal, with fewer firms developing business cases for their investments than elsewhere. This suggests the value of measures to support investment planning in Welsh firms either as part of targeted programmes or more generally as part of business development or management and leadership initiatives (e.g. Help-to-grow). For example, exemplar case studies of well-planned investments or 'how to' guides may make investment planning more accessible for smaller firms.

Motivations for investing are often complex with multiple objectives which are difficult to prioritise. For example, improving business productivity is the most frequently cited reason for investing by Welsh firms. However, it ranks only fourth as the most important reason for investing. Investment planning can provide

a structure for evaluating these objectives and aligning them better with broader business goals. Helping firms to enhance their investment planning process may also help to identify potential synergies between future investments.

Investment decision-making within most Welsh firms depends on a small number of individuals. However, and perhaps surprisingly, around a quarter of Welsh firms engaged external stakeholders, such as private consultants and other firms, in their most important investments. This emphasises the importance of the wider business eco-system in supporting effective investment decisions, particularly in smaller firms, and the value of advisory support alongside finance for investment. This reflects wider moves in the business support landscape linking grant funding for innovation to strategic advice and support through Innovate UK's business growth service. For finance providers this suggests the value of co-ordination with those providing wider business support to enable firms to maximise the value of their investments.

Since the global financial crisis of 2008, Wales and the rest of the UK have experienced a significant decline in productivity growth that has been slow to recover compared to other advanced economies.¹ This issue, commonly referred to as the “productivity puzzle”, has further exacerbated Wales’ historically lower productivity.² Over the last 20 years, Wales has recorded some of the lowest productivity levels in the country, with a productivity gap of approximately 15% compared to the UK as a whole.³

Multiple factors, including workforce skills and business management practices, affect productivity, and the exact causes of the productivity puzzle remain unclear.⁴ One frequently cited explanation is the low level of business investment.⁵ Alongside low productivity growth, Wales and the UK exhibit some of the lowest business investment rates among OECD countries.⁶ Wales has often experienced low levels of business investment.⁷

Understanding why and how firms make investment decisions is of key interest to academics and policymakers. The Enterprise Research Centre (ERC), located at the University of Warwick, stands as the UK’s leading national centre of excellence for research into the growth, innovation, and productivity of small and medium-sized enterprises (SMEs). Funded by the Productivity Institute (University of Manchester), ERC is conducting a research study on business investment decisions. A central component of this study is a large-scale “Productive Investment Decisions” survey, which includes a sample of 1,623 nationally representative UK firms.

Economic Intelligence Wales commissioned ERC to analyse the survey findings on business investment decisions. This report summarises the findings from the ERC/TPI “Productive Investment Decisions” survey, focusing on the subsample of 150 Welsh firms and comparing their results to those of the rest of the UK. A similar analysis for Scotland is also available.⁸

¹ For example, see UK Government 2019, PwC UK Productivity Tracker

² Henley 2021

³ Henley 2021, PwC Regional Productivity Tracker

⁴ McCann and Vorley 2020

⁵ For example, see Karmakar et al 2022

⁶ Price 2023

⁷ Price 2023, Henley 2021

⁸ ERC 2024

This section describes the research methodology for the “Productive Investment Decisions” business survey and its analysis.

2.1 Survey

This report summarises findings from a nationally representative survey of 1,623 UK businesses, with a specific focus on the 150 Welsh firms which responded. The survey examined topics related to business investment decision-making, including the staff and other stakeholders involved in investment decisions, investment patterns over the past five years (2019–2024), investment goals, and the investment process. The survey questionnaire was developed based on a rapid literature review conducted by ERC in 2023 on factors influencing productive investment by firms.

The survey employed a computer-assisted telephone interview (CATI) method. Participants were senior business investment decision-makers. The fieldwork, which included piloting the survey instrument, took place from June to October 2024.

The “Productive Investment Decisions” survey focused on private firms that had been operating for at least five years at the time of the survey (2024) and employed at least 10 staff

members. Firms were eligible to participate if they made at least one investment of at least £5,000 between 2019 and 2024. To better represent a diverse range of businesses, the survey oversampled larger firms, various smaller business sectors, and some smaller English regions as well as the Devolved Nations of Wales and Scotland. Responses were weighted by sector and location to account for this oversampling in the survey design.

To improve response rates and control its length, the survey was split into two sections. One section focused on key investment patterns from 2019 to 2024, while the other looked at how to make the most strategically important investments. Firms were randomly assigned to each section in a 50/50 ratio, with 75 firms from Wales in each group. No statistically significant differences in business characteristics were observed between these Welsh groups, indicating the random assignment worked well.

2.2 Analysis

This report presents survey results based on weighted data for Wales and the rest of the UK. Differences between Wales and other parts of the UK were analysed using suitable statistical significance tests. All statistically significant differences are reported accordingly.

Some respondents could not provide an exact value for certain questions that required a numeric response (e.g., turnover). In these

cases, respondents were asked to estimate their numeric response using bands. An average value for each band (rounded up) was then used to replace a missing specific numeric value in order to minimise data loss. Qualitative responses from the survey were analysed thematically.

This section provides an overview of the key business characteristics of Welsh respondents who have made significant investments in the last five years (2019 – 2024). The survey defined significant investments as single investments of at least £5,000.

Welsh firms that made significant investments and participated in the survey employed, on average, 45 people (in 2024), generated a business turnover of £3.8 million (in 2023), and had been trading for an average of 35 years (as of 2024).⁹ In terms of business age and size, Welsh firms were similar to other UK firms, which had an average of 47 employees and had been trading for 33 years. However, Welsh firms had a lower average turnover than the UK average of £5.5 million.

Regarding business size, 84% of Welsh respondents are small (10–49 employees), 13% are medium (50–249 staff), and 3% are large (250+ employees). This distribution reflects that of the rest of the UK.

The primary sectors for Welsh firms making significant investments from 2019 to 2024 included support and other services (such as education, health and social work, and arts and entertainment), accommodation and food services, and professional activities like real estate and the information and communication sectors (see Table 1). There were notable sectoral differences between Welsh firms and those in the rest of the UK. Welsh respondents were more likely to be in the support and other services sector (40% compared to the UK’s 24%) and less likely to be in manufacturing (4% compared to 11%).

Table 1. Business sector distribution of Welsh firms that made significant investments in 2019 – 2024 (UK SIC 2007 codes)



Business sector	%
Primary (A B D E)	1%
Manufacturing (C)	4%
Construction (F)	8%
Wholesale and retail trade (G)	12%
Transport and Storage (H)	4%
Accommodation and food services (I)	17%
Financial and insurance (K)	0.4%
Information and communication / Real estate / Professional activities (J L M)	14%
Administrative and support services / Education / Health and social work / Art, entertainment and recreation / Other services (N P Q R S)	40%

⁹ These figures account for major outliers in both Welsh and the rest of the UK data. About 1.5% of all surveyed firms reported turnover of over £100m and staff of 1000 or more. With these outliers an average number of staff in Welsh firms is 80 and turnover is £5.2m. There were no major outliers in business age data.

Sixty percent of Welsh firms provided services, above the UK average of 47%. Meanwhile, 19% offered goods, and 21% supplied both goods and services. Among Welsh firms that sold goods or both goods and services, 81% primarily offered consumer goods, followed by 26% providing intermediate goods, 17% raw materials, and 15% capital goods.¹⁰ These product characteristics were consistent across Wales and the rest of the UK.

There was slightly more variability among the firms that sold services or both goods and services. These firms offered a range of services, including education, health, or leisure (46%); property, vehicle, or other maintenance services and logistics (29%); business or professional services (for example, consultancy) (25%); hospitality or food services (25%); digital services (for instance, digital accounting) (4%); and, finally, personal services such as hairdressing (3%). Reflecting the larger proportion of investing Welsh firms operating in the services sector, they were more likely to provide additional services, such as education (46% compared to 29% in the rest of the UK), and were less likely to offer business or professional services (25% compared to 36%).

Regarding customer types, Welsh firms were primarily business-to-consumer (B2C) (78%) and

business-to-business (B2B) (48%) entities, while 24% were business-to-government (B2G) firms.¹¹ Compared to other parts of the UK, Welsh investing firms were more inclined to sell directly to consumers (61% in the rest of the UK) and less inclined to sell to other businesses (66% in the rest of the UK).

Finally, 63% of Welsh investing firms were family-owned, while 5% were foreign-owned, comparable to the rest of the UK's figures of 58% and 8%, respectively. In the years from 2019 to 2024, eleven percent of Welsh firms exported goods or services, which is lower than the 32% for the rest of the UK. For those Welsh firms that exported, export sales accounted for an average of 16% of their turnover in their most recent exporting year, a figure not statistically different from the 21% for the rest of the UK.

The survey indicated that Welsh firms had lower turnover compared to the rest of the UK. This can be partly explained by a different proportion of exporting firms, which reported higher turnover in other parts of the UK. However, the number of exporting Welsh firms in the survey was small. This points to the need for further research to better understand the differences in the profile of investing firms between the rest of the UK and Wales.

3.1 Business objectives

The "Productive Investment Decisions Survey" examined business objectives and the strategies firms employed to achieve them. Over 80% of Welsh firms regarded financial goals—such as increasing sales, improving profit margins, and maintaining cash flow—as 'fairly' or 'very important' (Figure 1). Additionally, 95% of Welsh firms considered sustaining cash flow to be 'fairly' or 'very important'.

Meanwhile, social objectives – such as reducing environmental impact and generating social or community benefits – were less likely to be considered 'fairly' or 'very important' by 78% and 74% of firms, respectively. Additionally, social objectives were much less likely to be regarded as 'very important'. For example, 42% of Welsh firms deemed reducing environmental impact as 'very important,' compared to 62% of firms who viewed increasing efficiency as 'very important'. Figure 1 provides more detail on the importance of different business objectives.

¹⁰ These product categories are not mutually exclusive.

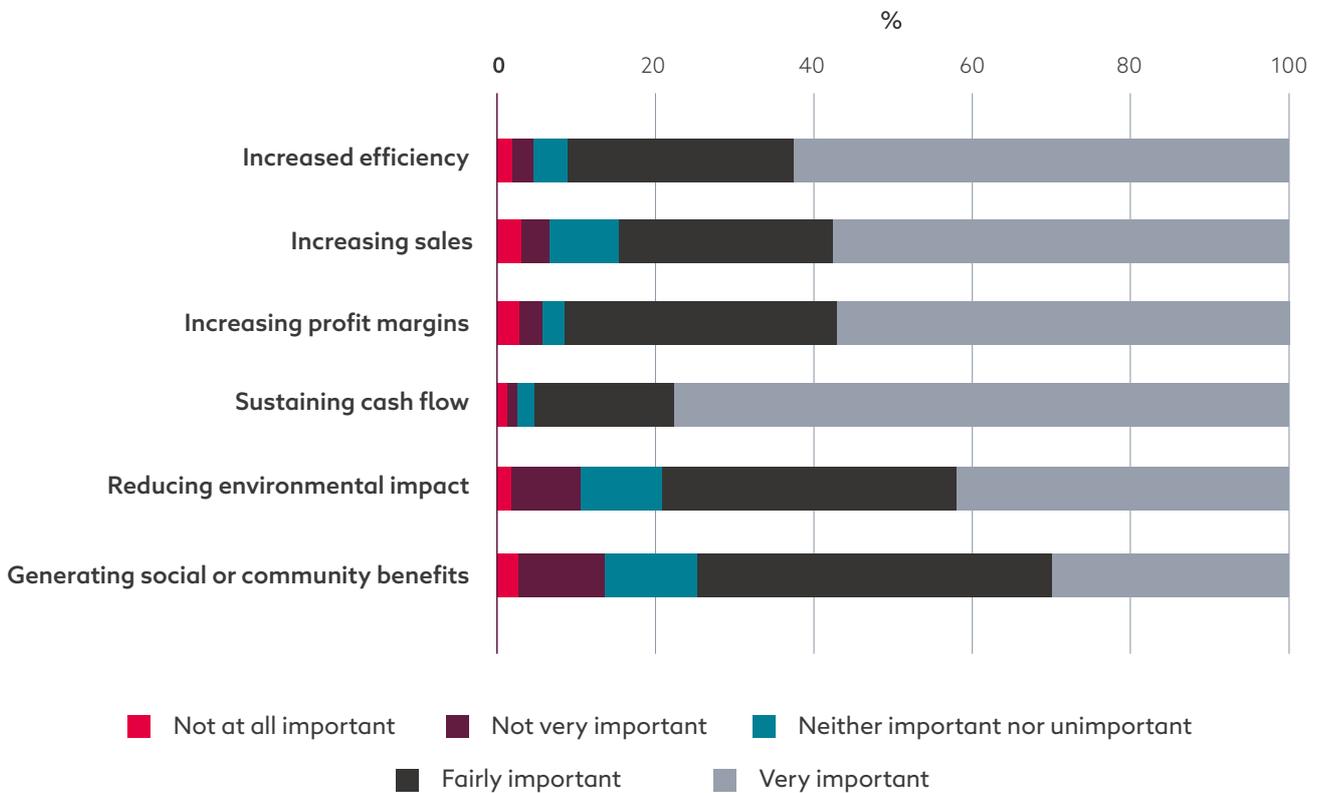
¹¹ These customer types are not mutually exclusive.

Although the trends are consistent for both Wales and the rest of the UK, some differences in business objectives exist. Welsh firms are less likely to consider increasing efficiency (88%) and boosting sales (84%) as 'fairly' or 'very important' compared to their counterparts in

the rest of the UK (95% and 92%, respectively). Conversely, a higher percentage of Welsh firms view generating social or community benefits as 'fairly' or 'very important' (74% compared to 62%).

Figure 1.
Importance of business objectives over the last 12 months as reported by Welsh firms

Thinking about the objectives of your business over the last 12 months. How important have each of the following been?



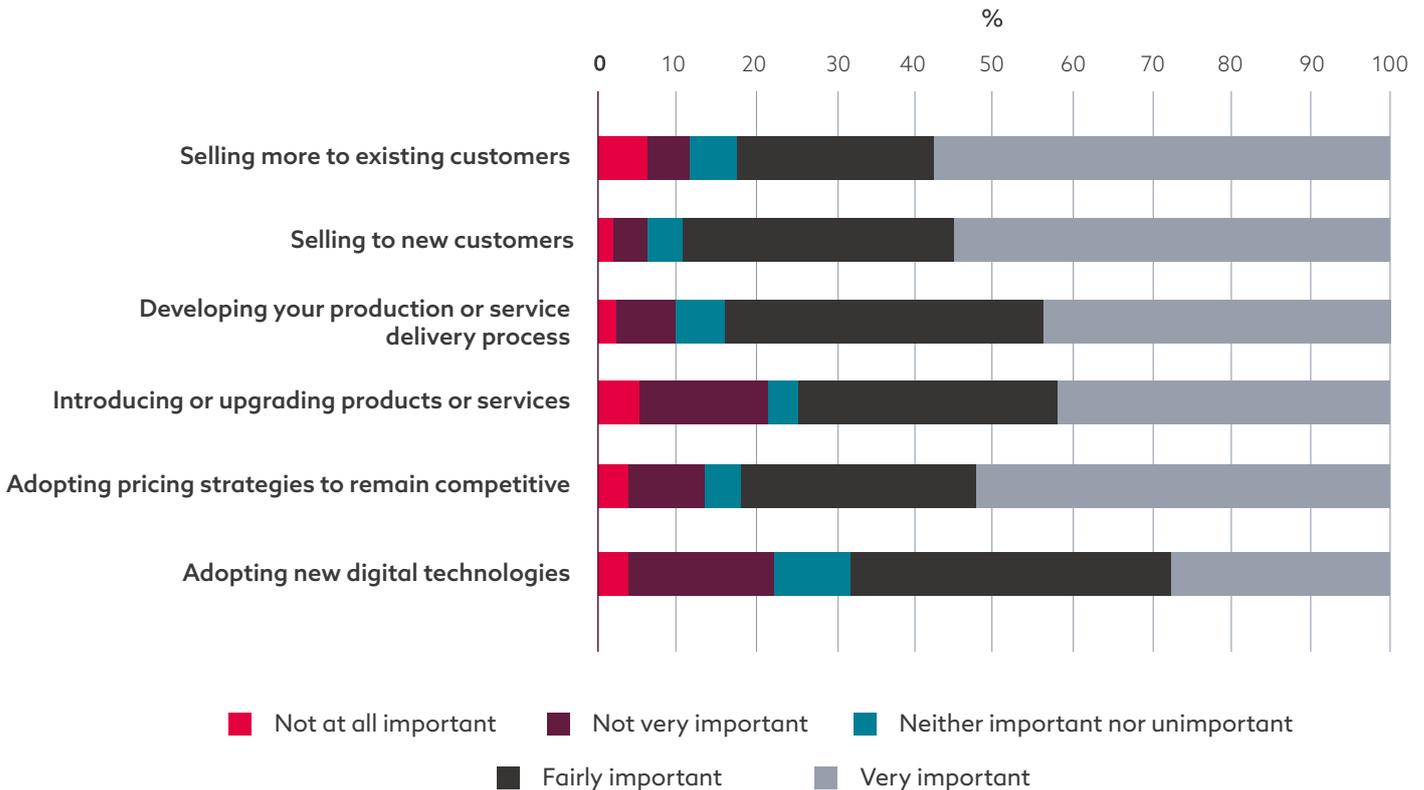
Note: responses of 2% or less are not labelled in the chart; 'don't know' responses (max. 1%) are not included in the graph

Welsh firms identified several strategic measures as crucial for achieving their business objectives. Selling to new customers was seen as particularly crucial, with 87% of Welsh firms emphasising this. Although most firms considered each of the different approaches important, introducing or upgrading products and services and adopting new digital

technologies were regarded as less frequently important by Welsh firms. Figure 2 offers further insights into strategies for achieving business objectives. There were no notable differences compared to the rest of the UK, except that Welsh firms were less likely to see selling more to existing customers as important (80% vs. 89%).

Figure 2.
Importance of different means of achieving business objectives over the last 12 months as reported by Welsh firms

Thinking about how you aim to achieve your business objectives. How important have each of the following been over the last 12 months?



Note: responses of 2% or less are not labelled in the chart; 'don't know' responses (max. 1%) are not included in the graph

When comparing themselves to their main competitors in the UK market, most Welsh firms reported that the design of their products or services was crucial to their success (76% 'agree strongly' and 'agree slightly'). They also stated that they lead the sector in service and

product quality (71%). A significant proportion (42%) indicated that they often introduced innovative products or services first. There were no significant differences compared to the rest of the UK.

4.1 Investment patterns

From 2019 to 2024, nearly half of the Welsh firms responding to the survey (49%) made at least one investment exceeding £50k (see Figure 3). Compared to the rest of the UK, fewer Welsh firms made single investments valued between £5k and £10k (60% vs. 71%), although Welsh firms were equally likely to make larger investments.

Additionally, there is a correlation with business size, as small firms were less likely to make substantial investments. 45% of small firms invested £50k or more, compared to 68% of medium and large firms. Furthermore, 58% of small firms made investments of £10k to £20k, while 79% of their medium and large counterparts did. Similarly, 57% of small firms invested between £5k and £10k, versus 80% of medium and large firms.¹² A comparable pattern is noted in firms from the rest of the UK.

Figure 3.
Share of Welsh firms that made single investments of the following value in 2019 - 2024

Thinking about your business investments over the last 5 years (since 2019), have you made any single investments, either tangible or intangible, which were...?



¹² There were no statistically significant differences for firms making £20k - £50k investments

4.2 Investment patterns

This survey section summarises findings on the significant investment patterns and decision-makers of Welsh firms over the past five years (2019 – 2024).

4.2.1 Investment decision-makers

On average, Welsh firms reported that 3 people in their firm were involved in making business investment decisions, similar to the rest of the UK's 4.¹³ As expected, this number is related to business size: large firms reported that 19 people were involved in investment decisions, compared to 4 in medium firms and 3 in small firms.¹⁴

On average, 41% of investment decision-makers in Welsh firms were women, while 7% belonged to ethnic minority groups. These figures are not statistically significantly different from those in the rest of the UK, where 34% of decision-makers are women and 12% are from ethnic minority groups.

4.2.2 Investment planning

Approximately half of Welsh firms (48%) reported having a business investment plan in 2024, slightly up from 2019 (40%). The 2024 business investment plans mostly covered a timeline of 2 to 5 years (as reported by 78% of firms), which was similar to their plans in 2019 (68%, according

to Table 2). There were no statistically significant differences when compared to the rest of the UK. Plus, in line with the rest of the UK, small Welsh firms were less likely to have a business investment plan (43% vs. 70% in medium or large firms in 2024).

Table 2.

Timeline of the business investment plan among Welsh firms that reported having one, a comparison between 2019 and 2024



Investment timeline	% in 2019	% in 2024
Less than 1 year	17%	16%
2 – 3 years	44%	35%
4 – 5 years	24%	43%
6 years or more	7%	2%
Don't know / refused	8%	5%

Note: Percentages might not equal 100% due to rounding

¹³ Excluding c. 1% of majorly outlying firms that reported 100+ investment decision-makers

¹⁴ The difference between medium and small firms is not statistically significant

4.2.3 Investment characteristics

Welsh firms reported making an average of four significant business investments from 2019 to 2024, matching the rest of the UK.¹⁵ Firms are primarily focused on tangible investments (47%) or a combination of tangible and intangible investments (42%). A minority of firms (10%) exclusively made intangible investments during this period.¹⁶ These figures are comparable to those of the rest of the UK.

Regarding investment sub-types, Welsh firms primarily made tangible investments in buildings and plants, as well as intangible investments in staff training and education (see Table 3). These outcomes were comparable to those in the rest of the UK. However, Welsh firms were less likely to invest in machinery (42% compared to 62% in the rest of the UK) and more likely to invest in staff training or education (87% compared to 72%).

Table 3.

Share of Welsh firms that made tangible and intangible investments, by sub-types (multiple selections possible)



Tangible	%	Intangible	%
Buildings or plants	58%	Staff training or education	87%
Vehicles	44%	Computer software or databases	63%
Machinery	42%	Branding or brand recognition	51%
IT equipment or systems excluding software	41%	Business structure or organisation	41%
Other equipment (excl. IT)	37%	Customer goodwill (e.g., loyalty programmes) ¹⁷	32%
Inventory or stock	36%	R&D	29%
Land	8%	Entertainment, literary and artistic originals	17%
		Intellectual property products	9%

4.2.4 Investment timeline

From 2019 to 2024, more Welsh firms made intangible investments than tangible ones (see Figure 4). On average, businesses invested in intangibles in 3 out of 6 years during this period, compared to 2 years for tangible investments, which is consistent with the rest of the UK. Fewer Welsh firms invested in 2019, 2020, and 2021, particularly in tangible assets. The proportion

of firms investing in 2024 was also lower than in 2022 and 2023, though this may be attributed to the survey fieldwork occurring before the year's end. These trends mirror those in the rest of the UK, with one notable exception: in 2020, fewer Welsh firms made tangible investments (17% compared to 30% in the rest of the UK).

¹⁵ Excluding major outliers of c. 1.5% of firms with 50+ significant investments

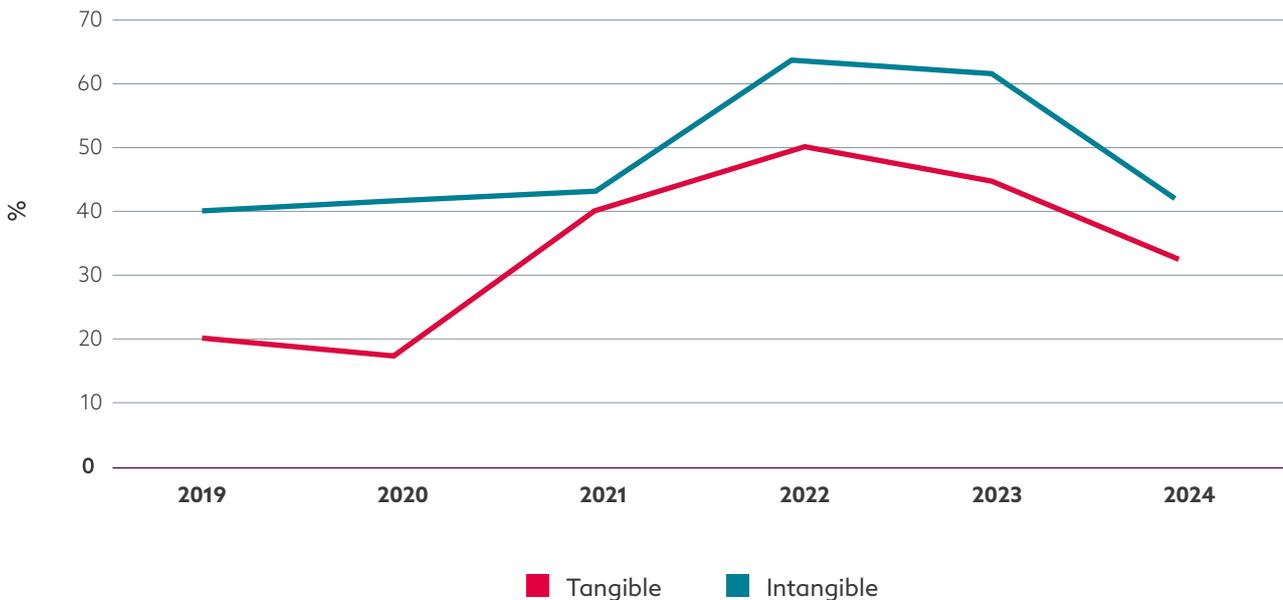
¹⁶ The remaining 1% were "don't know" responses

¹⁷ Customer goodwill represents the value of customer relationships which business owners can leverage if selling the business. This can be enhanced by building customer loyalty programmes.

Figure 4

Share of Welsh firms that made significant investments from 2019 to 2024

Thinking about your business investments over the last 5 years (since 2019), have you made any single investments, either tangible or intangible, which were...?



4.2.5 Financing investment

Over the past five years (2019–2024), Welsh firms invested an average of 16% of their turnover in tangible assets and 8% in intangible assets.¹⁸ These percentages are comparable to those in the rest of the UK, at 13% and 10%, respectively.

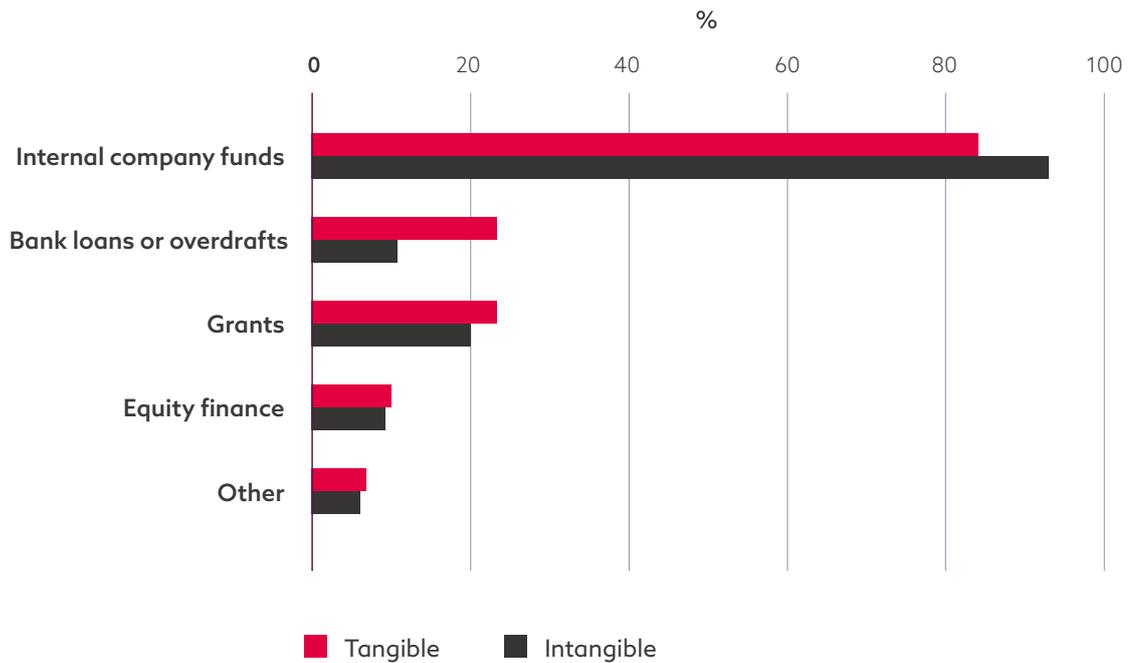
Internal company funds were the most common funding source for any type of investment reported by Welsh firms. Meanwhile, bank

loans or overdrafts were somewhat more likely to be used to fund tangible investments (see Figure 5). Other funding sources for investments include finance agreements, loans from private companies, hire purchase agreements, and factoring companies. There were no statistically significant differences in funding sources between Welsh firms and the rest of the UK.

¹⁸ This includes firms that made both tangible and intangible investments, i.e., they were asked about each type separately.

Figure 5
 Share of Welsh firms by funding sources of tangible and intangible investments (multiple selections possible)

Which of the following sources of funding did your company use to finance these significant tangible investments in the last 5 years?



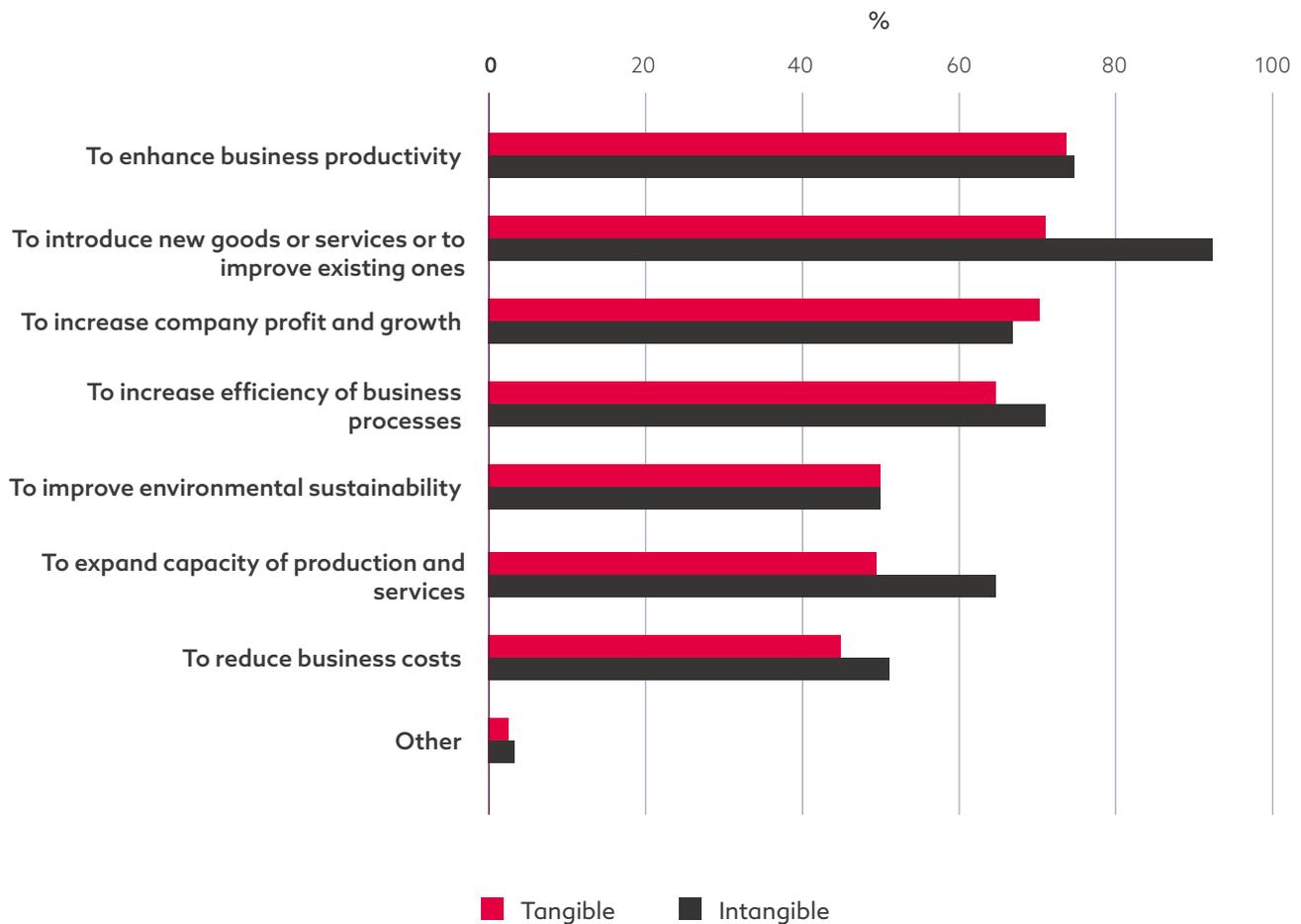
4.2.6 Purpose of investing

Welsh firms reported making significant investments for various purposes. Most commonly, they invested to enhance business productivity, while the least common reason was to reduce business costs (see Figure 6 for the complete list of purposes). The motivations for investing were similar for both

tangible and intangible investments. However, one difference noted is that firms making intangible investments more frequently cited the introduction of new goods or services (or the improvement of existing ones) and the expansion of production and service capacity as purposes for their investments.

Figure 6
Purpose for which Welsh firms made tangible and intangible investments (multiple selections possible)

For which of the following purposes did your company make these significant investment(s) in the last five years?



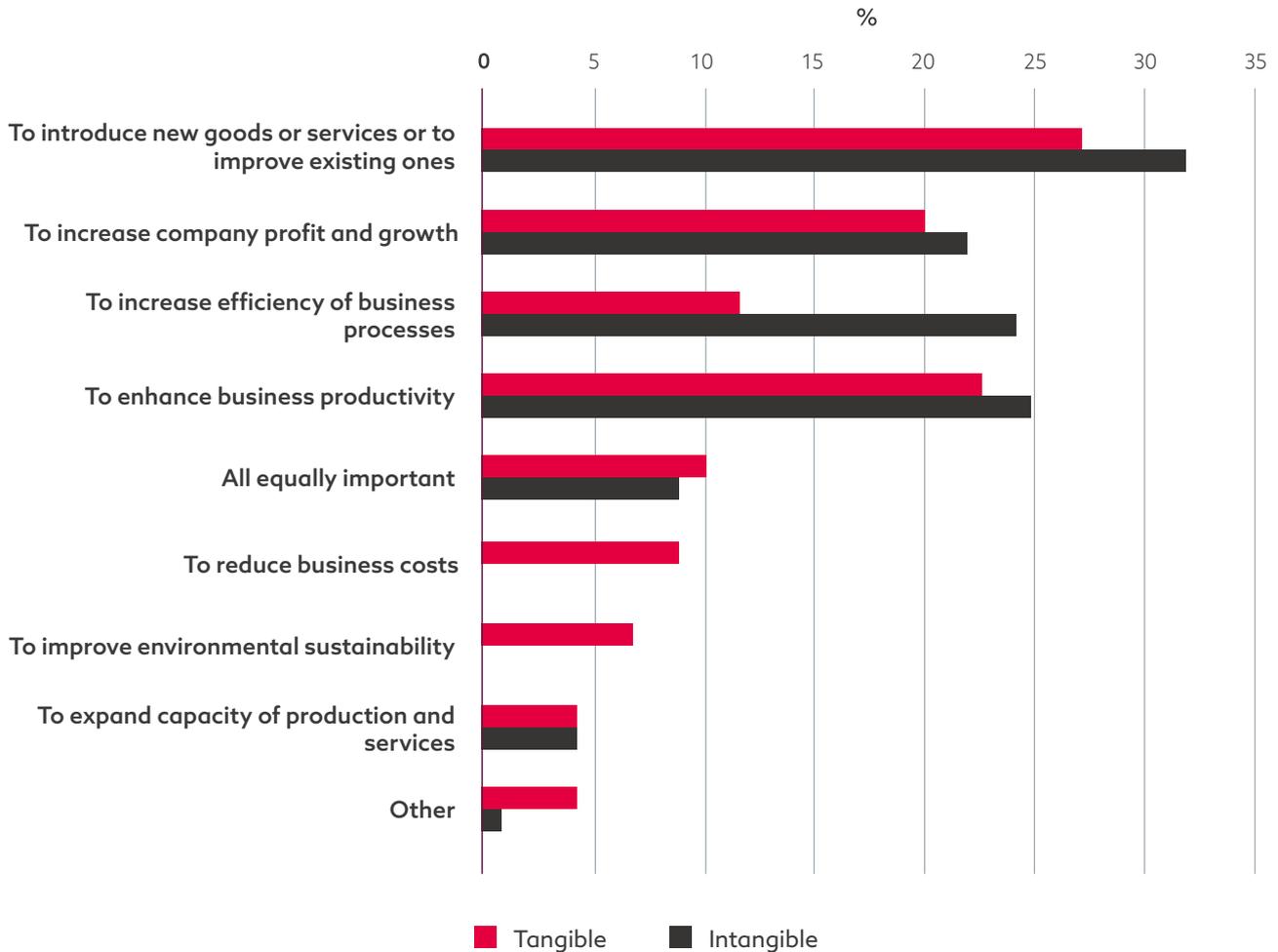
Although over three-quarters of firms invested to improve productivity, only about 10% considered this their main reason for significant investments. Instead, Welsh firms mainly aimed to introduce new goods or services (or improve existing ones), as cited by 27% of firms making tangible investments and 32% of those making

intangible investments. Enhancing the efficiency of business processes was more commonly cited as the primary motive for investing in intangible assets rather than tangible ones (24% versus 12%). Figure 7 offers further details on the most important purpose of investing.

Figure 7

The most important purpose of making tangible and intangible investments among Welsh firms

Which of these purposes was the most important to your company?



Note: Includes firms that cited only one purpose of investing and treats it as the most important purpose; percentages might not equal 100% due to rounding

There were some differences between Welsh firms and the rest of the UK regarding investment purposes. For tangible investments, Welsh firms were less likely to invest in expanding production and service capacity (49% vs. 67%) or in increasing the efficiency of business processes (64% vs. 78%). For intangible investments, Welsh firms were less inclined to invest in enhancing company profit and growth (66% vs. 81%) or in boosting the efficiency of business processes (68% vs. 84%).

When identifying the most important purpose for making tangible investments, Welsh firms were again less likely to view expanding production and service capacity as a priority compared to the rest of the UK (4% vs. 12%) and more likely to consider introducing new goods or services (or improving existing ones) (27% vs. 15%). Similarly, for intangible investments, Welsh firms were more likely to regard introducing new goods or services as the most significant reason for investing (32% vs. 15% in the rest of the UK).

4.2.7 Annual rate of return

For 43% of Welsh firms making tangible investments and 27% making intangible investments, achieving a specific rate of return was essential. This was similar to the share of firms in the rest of the UK (42% and 31% respectively). Among those Welsh firms for whom achieving a specific rate of return was

necessary, 40% of firms making tangible and 35% of firms making intangible investments expected an annual rate of return of up to 8%, although about a third of firms needed to achieve a rate of return of more than 14% (see Table 4 for more detail). These results are comparable to those of the rest of the UK.

Table 4.

Annual rate of return that Welsh firms expected to achieve from tangible and intangible investments (% of firms for whom it was necessary to achieve a specific rate of return)



Expected annual rate of return	Tangible	Intangible
Less than 5 %	14%	5%
5-8%	26%	30%
9-10%	11%	8%
11-12%	3%	5%
12-14%	3%	0%
More than 14%	28%	36%
Don't know	15%	16%

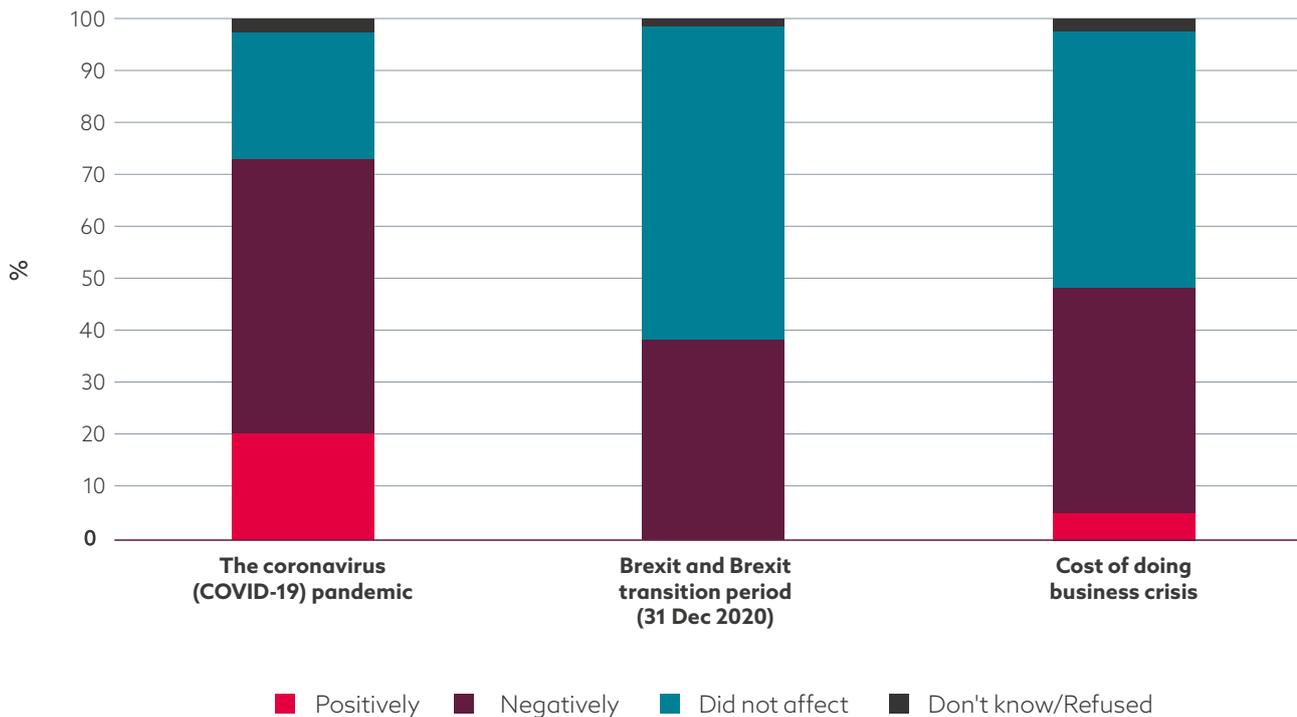
4.2.8 Other factors influencing investment decisions

Most Welsh firms (53%) reported that the coronavirus (COVID-19) pandemic negatively affected their major investments over the past five years (2019–2024). A significant proportion of Welsh firms also indicated that the cost of

doing business crisis and Brexit, as well as the Brexit transition, had a negative impact on their major investments (43% and 39%, respectively; see Figure 8 for more detail). These patterns are similar to those seen in the rest of the UK.

Figure 8.
Impact of external factors on significant investments reported by Welsh firms

Thinking generally about your significant investments over the last five years. How did the following factors affect these investments, if at all?



4.3 Making investment decisions

This section examines the process of making the investments that firms viewed as having the most strategic significance.

Similar to the rest of the UK, most Welsh firms identified tangible investments as having the greatest strategic significance to their business (56%), followed by a mix of tangible and intangible investments (30%) and intangible

investments (9%).¹⁹ Like their counterparts across the UK, Welsh firms selected various investment sub-types when asked to identify their most strategically significant investments. The most frequently mentioned investments were machinery in the tangible category and staff training or education in the intangible category (see Table 5 for more details).

¹⁹ The remaining 5% did not know the investment type

Table 5.

The most strategically significant investment among Welsh firms by sub-type (multiple selections possible)



Tangible	%	Intangible	%
Machinery	52%	Staff training or education	93%
Buildings or plants	48%	Computer software or databases	46%
IT equipment or systems excl. software	43%	Customer goodwill (e.g., loyalty programmes)	42%
Other equipment (excl. IT)	40%	Business structure or organisation	42%
Vehicles	31%	R&D	25%
Land	10%	Entertainment, literary and artistic originals	20%
Other	6%	Branding or brand recognition	17%
		Intellectual property products	4%
		Other	4%

4.3.1 External collaboration on investment

About 24% of Welsh firms engaged partners, collaborators, or consultants outside the company in their strategic investments.²⁰ This is not statistically significantly different from the rest of the UK, where the figure is 35%.

Welsh firms, similar to the rest of the UK, involved the following stakeholders in their most strategically significant investment:

- other private firms (63%)
- private consultants (58%)
- business networks, trade organisations or associations (17%)
- local authorities (17%)
- Higher or further education institutions (12%)
- government agencies (11%)

4.3.2 Process of investing

This section outlines the process of making firms' most strategic investments, from ideation to performance monitoring.

Ideation stage

Like the rest of the UK, Welsh firms tended to act swiftly when planning their most strategic investments. Most firms (67%) reported that it took them less than a year to plan the

investment before implementation, while 88% of firms took less than three years (see Table 6).

Just under half (49%) of Welsh firms developed a business case to make the proposed investment, which is lower than in the rest of the UK (62%).²¹ Though like the rest of the UK, small Welsh firms were less likely to develop a business case (46% vs. 70% in medium or large firms).

²⁰ The remaining 5% did not know the investment type

²¹ 49% of Welsh firms did not develop a business case and 2% did not know if they did.

Table 6.

Time it took Welsh firms to plan to make the most strategically significant investment prior to actually making it



Time taken	%
Less than 1 year	67%
2 - 3 years	21%
4 - 5 years	3%
5 years or more	5%
Don't know	4%

Evaluation stage

Sixty-three per cent of Welsh firms evaluated the proposed investment after its inception, a proportion which is not statistically significantly different from the rest of the UK's 72%.²² Those firms that assessed their proposed investment considered multiple factors. Businesses often took costs and other resources into account, as cited by 85% of Welsh firms, along with anticipated risks, noted by 75%. While

government or industry regulations and policy support for the investment were considered less frequently, they were still acknowledged by about half of all firms (57% and 49%, respectively).

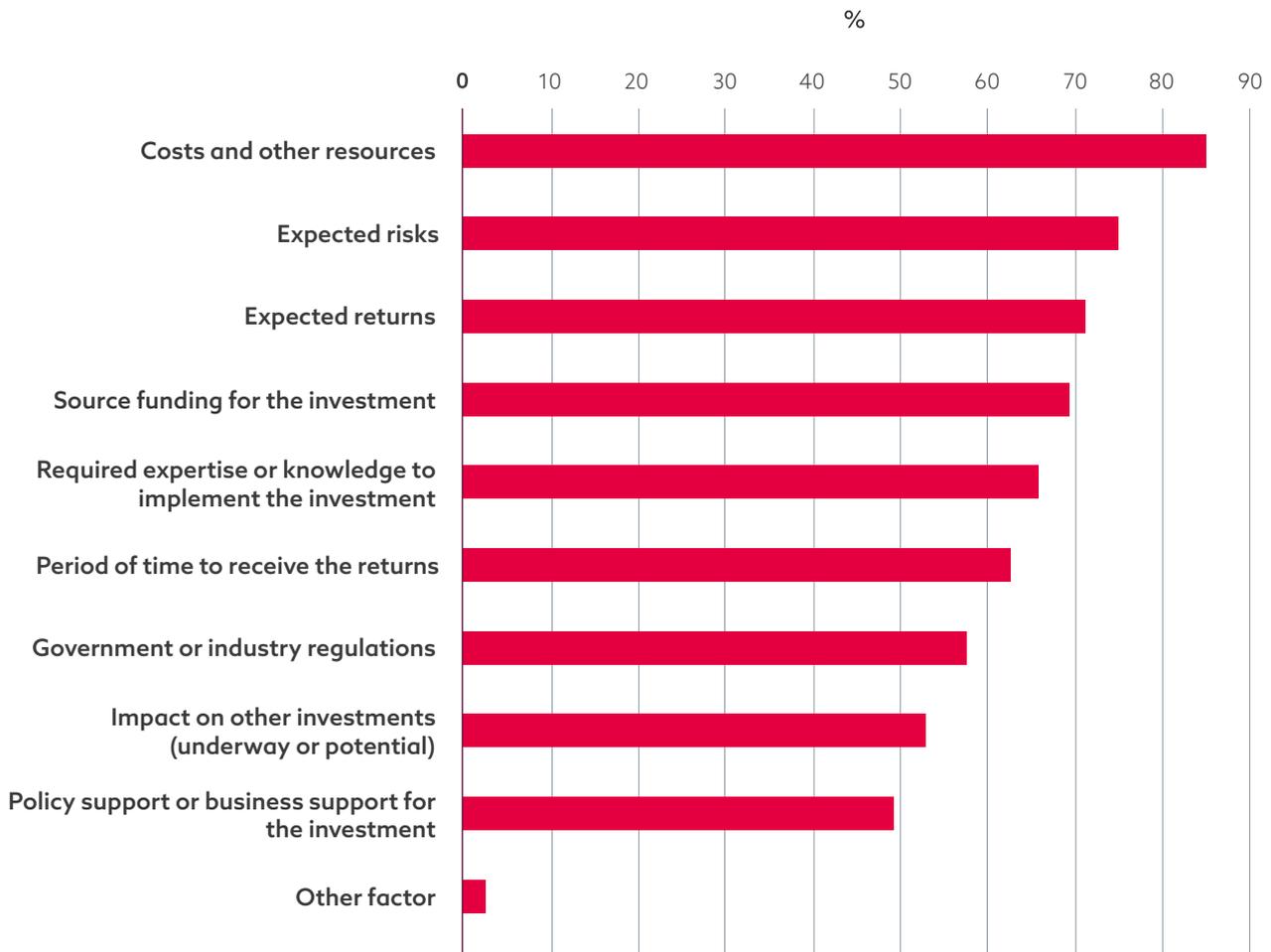
Figure 9 illustrates all factors considered during the evaluation stage. One statistically significant difference compared to the rest of the UK is that Welsh firms were less likely to consider expected returns from the investment (71% versus 87%).

²² 36% of Welsh firms did not evaluate and 1% did not know if they did

Figure 9

Factors considered when evaluating the most strategically significant investment among Welsh firms that evaluated the said investment (multiple selections possible)

Which of the following factors were considered when evaluating this investment?



Welsh firms expected to achieve multiple returns from their most significant investments. Frequently, businesses anticipate introducing new products or services or improving existing ones (78%), while reducing business costs is less common (46%) (see Figure 10 for the complete list of expected returns).

Firms identified increased efficiency in business processes as the most important expected return for their companies (cited by 22% of Welsh firms), followed by enhanced company profit and growth (19%) and the introduction of new goods/services or improvements to existing

ones (13%). Expanded production and service capacity is the most crucial expected return for 11% of Welsh firms, while 7% mentioned reduced business costs, 6% indicated improved business productivity, and 2% noted enhanced environmental sustainability.²³

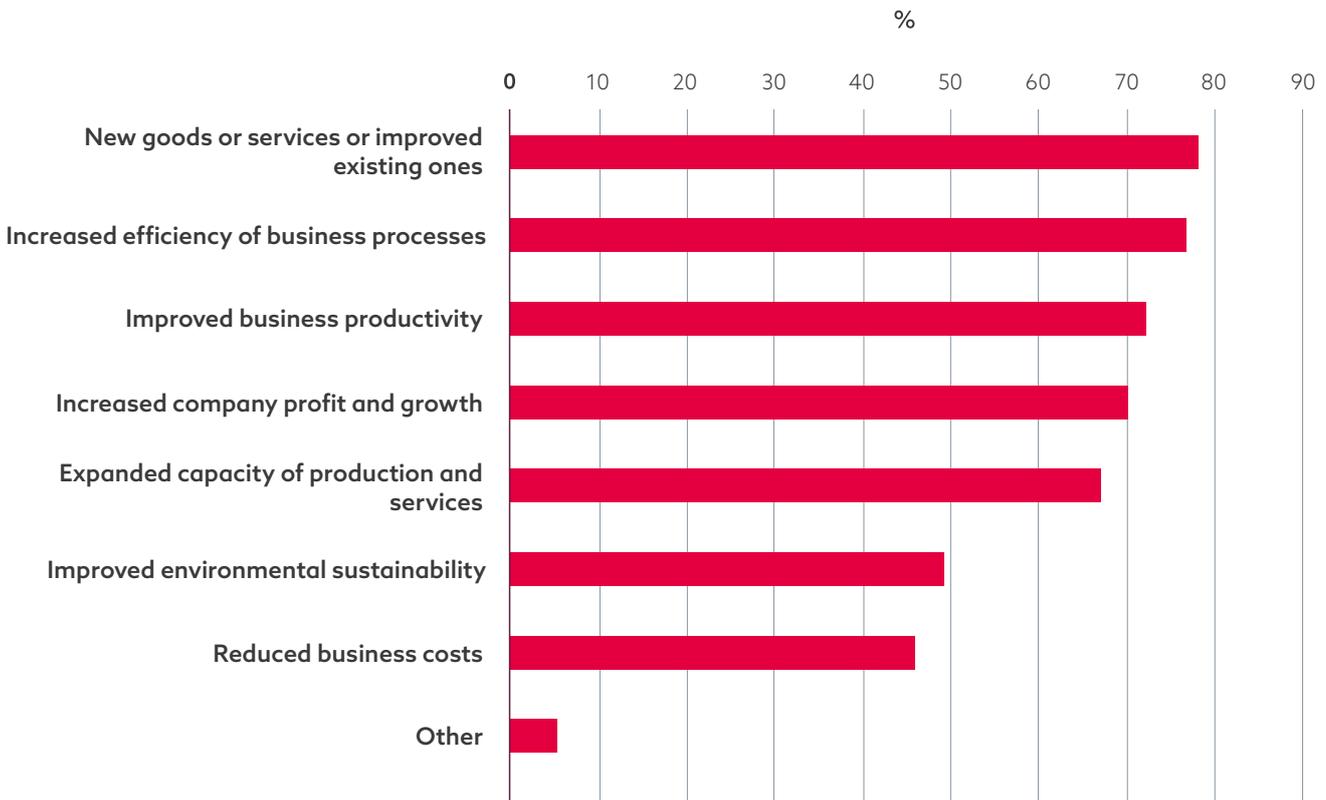
Welsh firms were less likely to anticipate increased company profits and growth compared to firms in the rest of the UK (70% vs. 83%). There were no statistically significant differences in the expected returns that firms deemed most important.

²³ The remaining 12% of Welsh firms considered all of their expected returns equally as important. 6% cited 'other' returns and 2% did not know which return was the most important.

Figure 10

Expected returns reported by Welsh firms from the most strategically important investment (multiple selections possible)

Which of the following returns did your company expect to make from this investment?



Businesses surveyed were asked whether they measured expected returns. Twenty-five percent of Welsh firms indicated that none of the expected returns were measured, which is similar to the 23% reported in the rest of the UK.

In line with the research literature, Welsh firms expected their investment returns to be quick

and predictable. Sixty-nine per cent of firms anticipated achieving returns in under five years, and 94% were 'somewhat' or 'very certain' that returns would materialise. Interestingly, 20% of firms had not anticipated a specific timeline for realising returns from the investment (see Table 7). These trends were consistent with the rest of the UK.

Table 7.

Timeline and certainty of expected returns from the strategic investment



How long did you anticipate that it would take for this investment to achieve all its expected returns?	%	How certain, if at all, were you that the investment would achieve its expected returns?	%
Less than 1 year	28%	Very certain	66%
1 - 2 years	17%	Somewhat certain	28%
3 - 5 years	24%	A little certain	6%
5 - 10 years	10%	Not certain at all	0%
More than 10 years	2%		
No specific timeline anticipated	20%		

Note: Percentages might not add up to 100% due to rounding

Approval stage

Welsh firms assessed various factors when deciding whether to approve the investment. Most commonly, they considered costs and other resources (78% of firms) and expected risks (67%). Half of the firms (50%) factored in government or industry regulations, while over a third (38%) also evaluated policy or business support for the investment. Refer to Figure 11 for the complete list of all considered factors.

Generally, there were no differences between Wales and the rest of the UK, with one exception: Welsh firms were less likely to

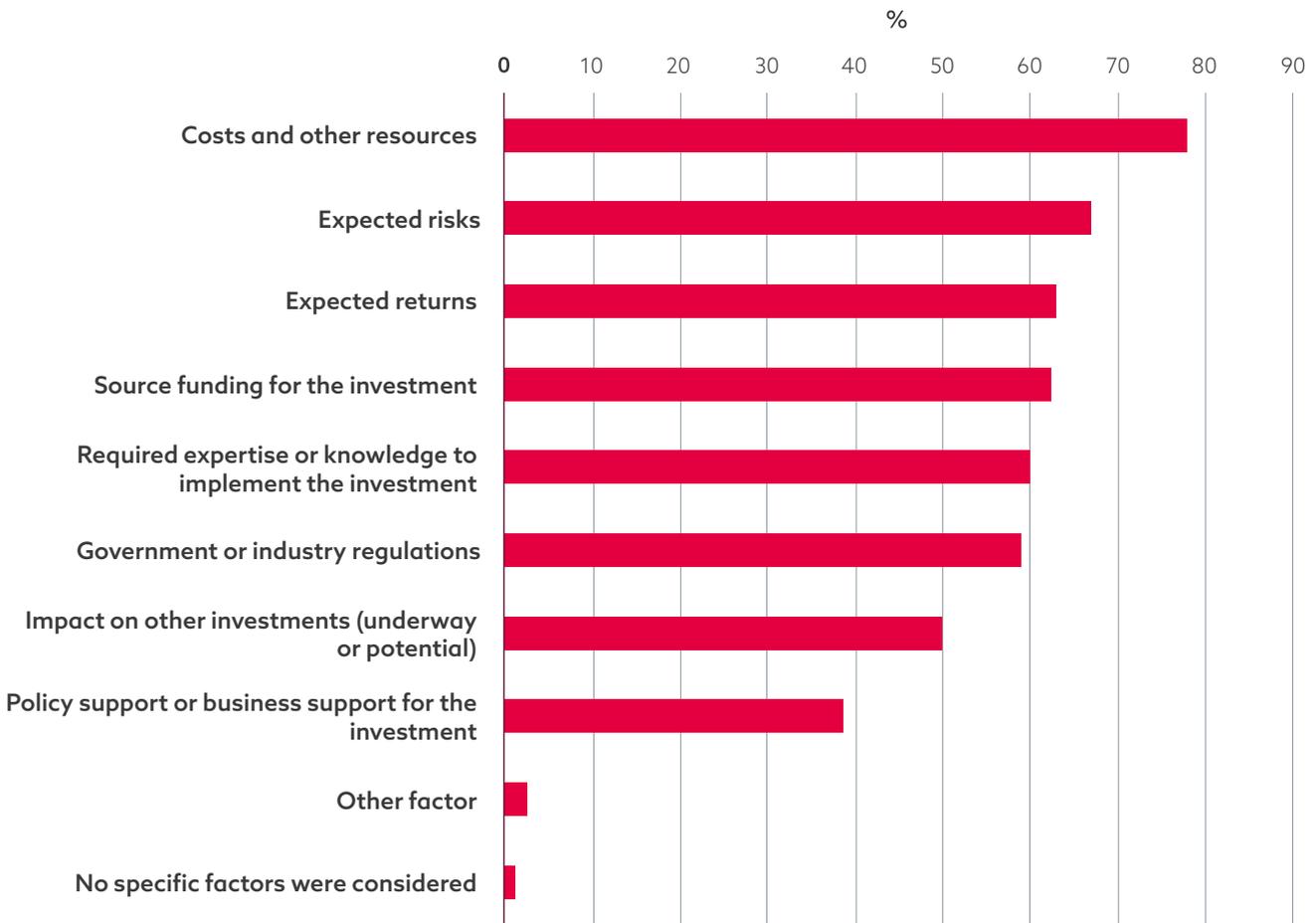
consider expected returns in their approval decisions (63% vs. 78%). Furthermore, Welsh firms that had developed a business case were more likely to consider expected returns in their approval decision (76%) than those firms that did not develop a business case (50%). This is consistent with findings from the rest of the UK.

Among Welsh firms that had evaluated their proposed investment earlier (63% of all Welsh firms), nearly all (97%) mentioned that the factors considered when deciding whether to approve the investment were more or less the same as those considered when evaluating it.

Figure 11

Factors that Welsh firms considered when deciding whether to approve the investment or not (multiple selections possible)

Which of the following factors were considered when evaluating this investment?



Nearly half (47%) of Welsh firms reported that the impact on other investments was one of the factors considered in approving their most strategic investments. Among these firms, the majority (62%) indicated that this consideration applied to potential investments, 42% stated it applied to investments that were being made, and 27% noted it applied to investments already made.²⁴ This consideration at the approval stage primarily related to the combination of tangible and intangible investments (cited by 48% of Welsh firms) or solely tangible investments (36%).²⁵

Seventy-three per cent of Welsh firms that considered other investments at the approval stage expected a complementary effect from the proposed investment on other investments, meaning that the proposed investments would facilitate other investments or enhance their returns. Twenty-five per cent of firms anticipated a restrictive impact, suggesting that the proposed investment could interfere with or inhibit other investments from being made (fully or partially).²⁶ These results align closely with those found in the rest of the UK.

²⁴ Multiple selections possible

²⁵ 16% intangible

²⁶ The remaining 2% did not know what the impact would be

Furthermore, 46% of Welsh firms required a specific rate of return to justify the most strategic investment. The expected annual rate of return among these firms varied, but most often, firms

expected it to be more than 14% (see Table 8). The results are not statistically significantly different from those of the rest of the UK.

Table 8.

Annual rate of return that Welsh firms expected to achieve from the proposed investment, % of firms for whom it was necessary to achieve a specific rate of return



Expected annual rate of return	%
Less than 5 %	7%
5-8%	16%
9-10%	17%
11-12%	7%
12-14%	6%
More than 14%	40%
Don't know	7%

Finally, in the approval stage, nearly all (87%) of Welsh firms reported that their proposed budget for the most strategically significant investment was fully approved. For 11% of Welsh firms, the budget was approved partially.²⁷

Implementation stage

Forty-two per cent of Welsh firms reported that they fully achieved their expected returns from strategic investments, while 17% achieved them partially. However, a substantial share of firms (36%) stated that it was too early to determine if their expected returns had been met.²⁸ Additionally, 20% of Welsh firms reported that their most strategic investments yielded unanticipated benefits. These firms highlighted unexpected advantages such as increased employment, a larger customer base, and enhanced staff satisfaction. These findings align with those observed across the rest of the UK.

Monitoring stage

Sixty-five per cent of Welsh firms reported monitoring the performance of their most

significant investment after project completion, which is similar to the 72% observed in the rest of the UK. A quarter (25%) of Welsh firms did not monitor the investment's performance, and for 8% of firms, the investment project was still ongoing at the time of the survey.²⁹

The majority of Welsh firms were satisfied with the entire process of making their most strategically significant investment (92%) and with the returns achieved to date (90%) (see Figure 12).³⁰ This is comparable to the rest of the UK. Twenty-seven per cent of Welsh firms reported that their overall level of satisfaction with this strategic investment positively affected other investments made since then, although a similar share of firms indicated that it had no effect (28%). The remaining 42% of Welsh firms had not made any investment since the strategic investment discussed in the survey, while only 1.5% stated that the strategic investment harmed other investments made since then.³¹ These trends align with those in the rest of the UK.

²⁷ Remaining 2% did not know the extent to which the budget was approved

²⁸ Remaining 1% did not achieve any of their expected returns and 4% were 'don't know/refused' responses

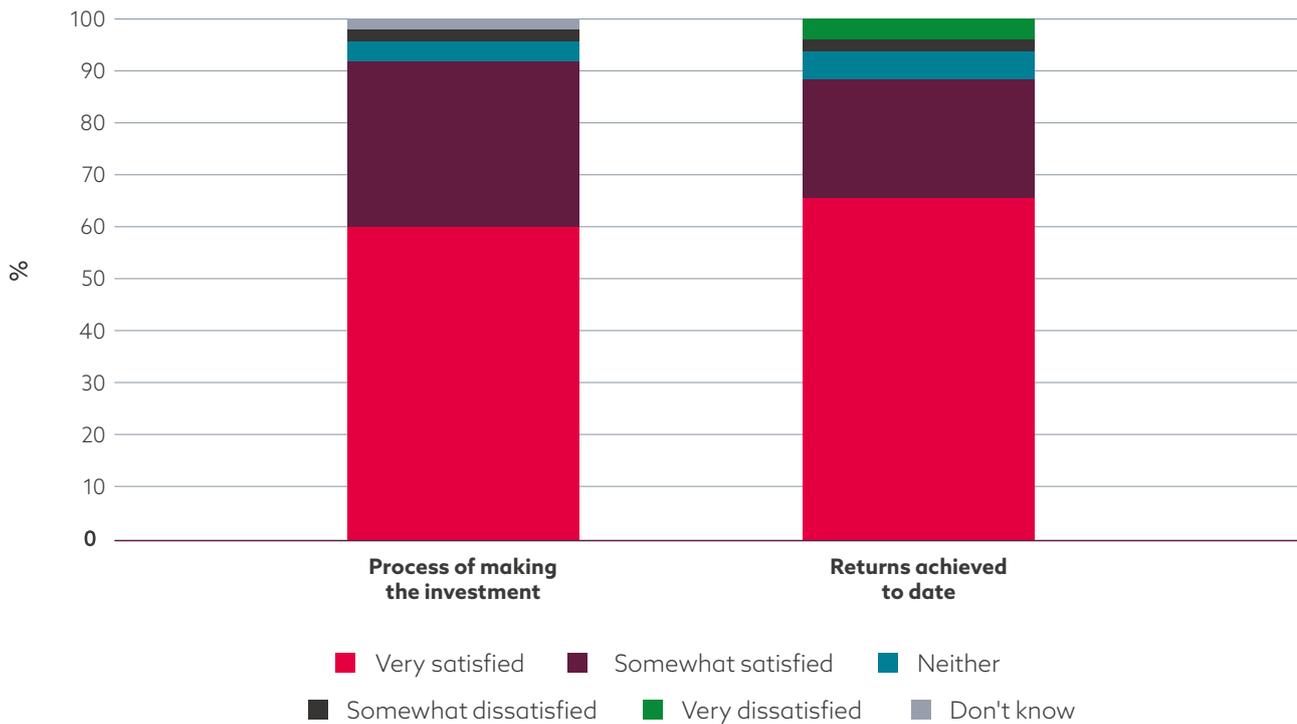
²⁹ Remaining 2% were "don't know" responses

³⁰ Excluding firms for which it is "too early to tell" if returns were achieved or not

³¹ Remaining 2% did not know what impact the most strategic investment had on other investments

Figure 12.
Satisfaction level of Welsh firms with the process and returns of the most strategically significant investment

Level of satisfaction with the process of making the investment and with returns achieved



Note: Percentages might not add up to 100% due to rounding

4.3.3 Decision-makers throughout the investment process

The survey examined key decision-makers at every stage of the most strategically significant investment process, from ideation to monitoring its results. In Welsh firms, the individuals who originated ideas for making the most strategically significant investments tended to be, unsurprisingly, those with the highest level of responsibility:

- Company directors or board of directors (mentioned by 53% of firms)
- Owners or founders (28%)
- Managing directors or CEOs (25%)

- Department heads or senior managers (16%)
- Other staff (6%)
- Other external people (2%)

The most senior individuals involved in strategic investment tended to possess a high level of education and experience. On average, these senior professionals had 27 years of work experience (including roles at other firms) when they developed the concept for the most strategic investment, comparable to the UK's average of 28 years.

Over half (56%) of the most senior individuals held a university degree. The job roles, education, and experience of those who originated the idea for the strategic investment were similar between Welsh firms and the rest of the UK, with one exception. In 13% of Welsh firms, the most senior individuals initiating the investment lacked formal qualifications, compared to only 2% in the rest of the UK. While this difference is statistically significant, fewer than 10 Welsh firms reported decision-makers without formal qualifications, so the results should be interpreted with caution.

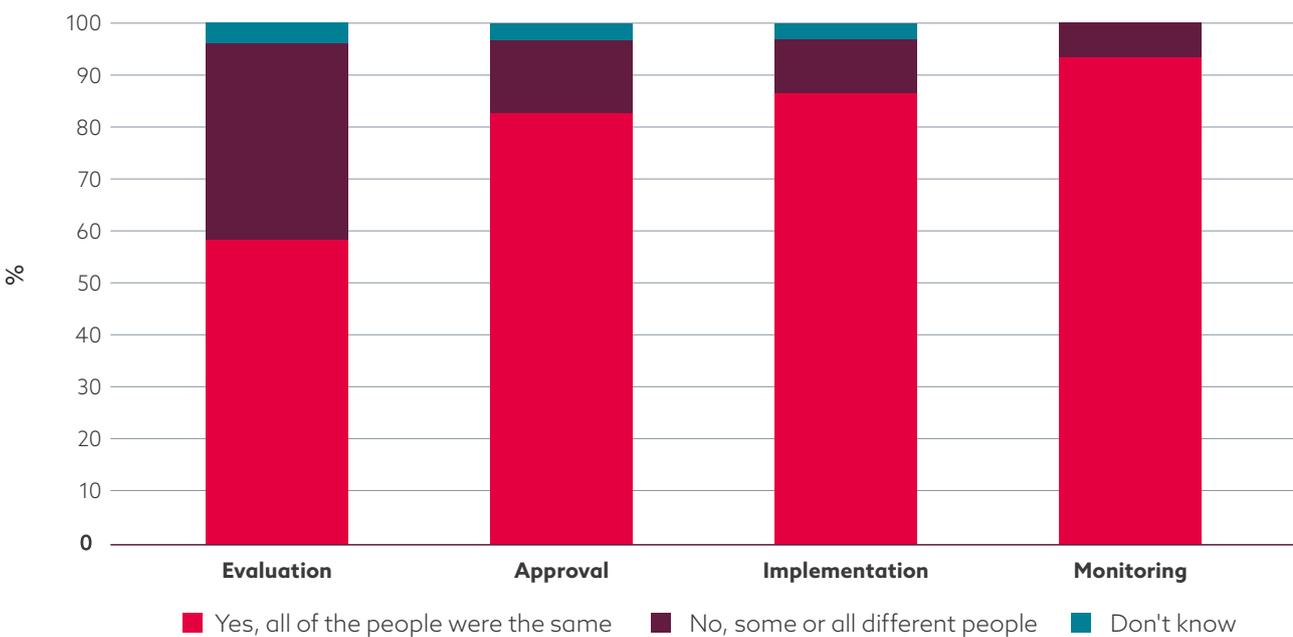
Key decision-makers generally remained consistent throughout the entire investment process. Eighty-three per cent of Welsh firms reported that the individuals who approved the investment were the same as those who originated the idea. In 87% of firms, the individuals who executed the investment were identical, and in 93% of firms, the people

monitoring the investment were also the same.³² During the evaluation stage, 59% of Welsh firms indicated that the individuals who proposed the investment idea were the ones who evaluated it, a lower proportion than in other stages of the process.³³ See Figure 13 for more details on decision-makers at various stages of the process.

In 89% of small Welsh firms, the individuals who approved the investment were identical, compared to 65% in medium and large firms. In other instances, differences based on business size could be observed, but they were not statistically significant, possibly due to small sample sizes. The continuity of key decision-makers during the investment process is consistent across the rest of the UK, although Welsh firms were more likely to retain the same decision-makers when monitoring investment performance (93% vs. 78% in the rest of the UK).

Figure 13. *Change of investment decision-makers across the process of investing among Welsh firms compared to the ideation stage*

Were the people [involved in the investment decision stage] the same as the people who came up with the investment idea?



³² Note that the 93% figure was calculated from 65% of Welsh firms that reported monitoring the investment's performance after its completion.

³³ Note that 59% figure was calculated from 63% of Welsh firms that evaluated the proposed investments.

5.1 Summary

The ERC/TPI “Productive Investment Decisions” survey explored the profiles of Welsh firms that made significant investments (specifically, investments of at least £5,000) from 2019 to 2024. It also examined the decision-makers, investment planning, funding sources, purposes of investing, and the processes for making the most strategically significant investments as defined by the businesses themselves.

In broad terms, the profile of types of investment, motives for investment, and the investment decision-making process in Wales was similar to that across the UK. Several statistically significant differences were evident, and these are highlighted in the following sections.

Profiling productive investment

On average, Welsh firms made four significant investments from 2019 to 2024 (accounting for outliers). Survey findings further indicated that many Welsh firms invested consistently between 2019 and 2024, emphasising significant investment as a regular business activity.

Like the rest of the UK, Welsh firms mainly invested in tangible assets or a combination of tangible and intangible investments. In addition to traditional forms of intangible investments such as R&D, a substantial proportion of Welsh firms invested in assets not captured in UK national accounts, including staff training, branding or brand recognition, and business structure or organisation.³⁴ This is a positive finding because intangible investments are linked to higher productivity.³⁵

Firms in Wales and across the UK made the same number of significant investments of the same type (tangible, intangible, or both). However, fewer Welsh firms invested in machinery, while more invested in other areas. These findings vary by sector; for instance, the manufacturing sector is more likely to invest in machinery. The survey data suggest that these differences could stem from the varied business

profiles of Welsh firms, but ultimately, a larger sample size is needed for robust and definitive cross-analyses.

How do Welsh firms plan investment?

Investment planning appeared to be fast-paced, as most Welsh firms planned their most strategically significant investments in less than one year. Reflecting other research, Welsh firms expected returns from these investments to be relatively quick and predictable.³⁶

A large proportion of Welsh firms did not adopt formal investment planning approaches. For example, about half of the firms lacked a business investment plan and did not specify a required rate of return for their major tangible investments (this figure exceeded two-thirds for intangible investments). Even for the most strategically important investments, roughly half of the firms did not prepare a business case and did not need to attain a certain rate of return to justify their investment. Approximately one-third did not assess the proposed investment, a quarter did not monitor its performance after completion, and did not gauge any expected returns. One-fifth of the firms did not set a specific timeframe for when the expected returns would be realised.

These findings are not unique to Wales but apply to firms across the UK. However, just under half of Welsh firms have developed a business case for their proposed strategically significant investments, while the majority of firms in the rest of the UK have done so. Some differences of approximately 10 to 15% in investment planning (e.g., fewer Welsh firms evaluated their proposed investments) approached statistical significance, something that could be detected with a larger sample of Welsh firms.

The lack of formalised strategies did not stop firms from making significant investments, but it could potentially lead to misallocated or under-investment for some firms, reducing the productivity benefits of the investment.

³⁴ Wilkes 2022

³⁵ Karmakar et al. 2022

³⁶ Klemick et al., 2019, Jones et al., 2021, Knuutila & Vuorio, 2023

How do Welsh firms fund investment?

Although larger Welsh firms were more likely to make costly investments, a noteworthy number of small firms also made significant investments. Between 2019 and 2024, Welsh firms allocated 16% of their turnover to tangible assets and 8% to intangible assets, similar to other UK regions. Firms mainly relied on internal funds to finance these investments. Furthermore, costs and other resources were vital factors when assessing and approving proposed investments, highlighting the importance of adequate funding.³⁷

Why do Welsh firms invest?

Exploring business motivations for investing revealed three key findings. First, firms emphasised various purposes, anticipated multiple returns, and considered several factors in their most significant investments. Second, core business objectives, including product innovation (goods or services), productivity, efficiency, and profit, typically dominate firms' reasoning for investing. Meanwhile, environmental sustainability and cost reduction were less frequently mentioned. Third, the largest proportion of Welsh firms identified product innovation (in goods or services) as their primary investment purpose.

This primary purpose was noted by about one-third of firms, and similarly, the most important expected return from their strategically significant investments was cited by less than one-quarter of firms. Therefore, there is variability in what firms regard as the most vital aspects of investing. This is perhaps best illustrated by the fact that enhancing business productivity is the most frequently cited reason for investing; however, it ranks fourth as the most important reason for investing. Highlighting the multiple benefits and reasons for business investment may be more effective in promoting investment than focusing on one or two key areas.

Interestingly, the motivations for investing in tangible and intangible assets were roughly similar, with only a few differences. For example, Welsh firms that primarily focus on intangible investments were twice as likely to cite increasing efficiency of business processes as their main purpose for investing.

Welsh firms also demonstrated distinct investment motivations and considerations compared to their counterparts in the rest of the UK. For instance, in both tangible and intangible investments, approximately twice as many Welsh firms prioritised product innovation in goods or services as their primary goal. In the rest of the UK, the main objective was to enhance company profit and growth.

When it involved the most strategically significant investments, Welsh firms were less likely to incorporate expected returns into their approval decisions. Furthermore, some notable differences in motivations approached statistical significance, indicating that a larger Welsh sample could more effectively explore the motivations that distinguish Wales from the rest of the UK. Due to the sample sizes, it remains unclear whether the differences in motivations can be ascribed to variations in business characteristics or other investment strategies.

Who gets involved in investment decisions in Welsh firms?

In Welsh firms, on average, three people were involved in making business investment decisions, which are positively related to business size, as expected. Just over 40% of Welsh firms reported having women as investment decision-makers, while less than 10% reported investment decision-makers from ethnic minority groups.

Exploring the investment process sheds light on the stakeholders involved in business investment decision-making. Those who propose significant

³⁷ Bank of England 2022, Lai et al 2015, Fernandez de Guevara et al 2021

investments typically hold senior positions, such as directors and CEOs, and possess extensive work experience along with high levels of education. This aligns with existing literature indicating that business leaders with greater education and experience are more inclined to make business investments.³⁸ In most cases, the key individuals who originated the investment idea remained involved throughout the entire investment process. Furthermore, approximately one-fourth of Welsh firms engaged external stakeholders, such as private consultants and other firms, in their most strategically important investments.

This indicates that the primary actors influencing business investment remain consistent throughout the investment process. However, depending on the stage of the process and for some Welsh firms, other stakeholders, particularly those external to the firm, may also exert influence.

Do investments interact in Welsh firms?

Some scientific literature indicates that past and present business investments interact, potentially influencing investment decisions.³⁹ The “Productive Investment Decisions” survey found evidence of such interaction among certain Welsh firms. In approving their most strategically significant investments, nearly

half of these firms regarded the effects of the proposed investment on other business investments as largely complementary. About a quarter of the firms reported that their overall high satisfaction with their investments positively influenced other investments. Only 1.5% of firms stated that their satisfaction negatively impacted other investments, underscoring a connection between high satisfaction with current investments and subsequent ones. This suggests that helping firms enhance their investment processes and maximise benefits may encourage future investments.

Interestingly, when asked to identify their most strategically significant investment, firms primarily listed several investment sub-types, rather than just one or two types that might have been expected. This may indicate synergies or interactions between investment types and sub-types within the group of investments that firms regard as the most strategically significant. Additionally, this suggests that specific business investments should not be treated in isolation when promoting overall business investment. When making one investment or one type of investment, firms may want or need to pursue other investments as well. Therefore, investment promotion efforts should take into account additional needs or barriers related to funding and implementation.

5.2 Policy implications

Most aspects of investment decision-making in Welsh firms proved similar to those in the rest of the UK, suggesting rather similar policy implications. For example, just under half of Welsh firms adopt formal investment planning approaches, a similar proportion to the rest of the UK. More generally, investment planning and evaluation in Welsh firms is more often informal, with fewer firms developing business cases for their investments than elsewhere. This suggests the value of measures to support investment planning in Welsh firms either as part

of targeted programmes or more generally as part of business development or management and leadership initiatives (e.g. Help-to-grow). For example, exemplar case studies of well-planned investments or ‘how to’ guides may make investment planning more accessible for smaller firms.

Motivations for investing are often complex with multiple objectives which are difficult to prioritise. For example, improving business productivity is the most frequently cited reason for investing by Welsh firms. However, it ranks

³⁸ Zhang & Islam, 2020, Moreno-Mondejar & Cuerva, 2020

³⁹ Kilkonnikova et al. 2022, Teresa Costa-Campi et al. 2019, Carboni & Medda 2021

only fourth as the most important reason for investing. Investment planning can provide a structure for evaluating these objectives and aligning them better with broader business goals. Helping firms to enhance their investment planning process may also help to identify potential synergies between future investments.

Investment decision-making within most Welsh firms depends on a small number of individuals. However, and perhaps surprisingly, around a quarter of Welsh firms engaged external stakeholders, such as private consultants and other firms, in their most important investments.

This emphasises the importance of the wider business eco-system in supporting effective investment decisions, particularly in smaller firms, and the value of advisory support alongside finance for investment. This reflects wider moves in the business support landscape linking grant funding for innovation to strategic advice and support through Innovate UK's business growth service. For finance providers this suggests the value of co-ordination with those providing wider business support to enable firms to maximise the value of their investments.

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