Dirnad Economi Cymru
Economic Intelligence Wales

Productivity Heroes in Wales: who they are and why they matter

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Abstract

The focus on fast-growing firms as a mechanism for stimulating economic growth and productivity has increasingly become the focus of industrial policy in developed economies. This research report examines Productivity Heroes, which are small and medium-sized enterprises in the United Kingdom that achieve simultaneous growth in both revenue and employment. While the study looks at national trends, it focuses specifically on Wales, where these high-performing firms contribute significantly to the economy despite a broader regional productivity gap.

The argument presented in this report is not that Productivity Heroes should replace other definitions of fast-growing firms, but that Productivity Heroes answer a productivity question. Given that Wales's policy priority is closing a persistent productivity gap, a definition sensitive to productivity dynamics is more policy-relevant than other definitions such as the OECD High-Growth Firm definition sensitive to headcount and/or turnover alone.

The analysis identifies that micro, and small firms make up the majority of this group, though medium-sized enterprises often yield a more substantial individual impact. Strategic success for these businesses is typically driven by employee engagement, innovation, and a customer-centric focus rather than simple resource expansion. Ultimately, the findings suggest that supporting these specific firms is essential for addressing the long-standing productivity crisis in Wales and the wider UK economy and fostering regional economic growth.

In summary, for Wales to bridge its productivity gap, business support and finance must transition from broad-brush assistance to targeted interventions that support the high-value, lean, and employee-centric models characteristic of Productivity Heroes.

The research team acknowledges the financial support of Economic Intelligence Wales (EIW) which made this research possible.

Executive summary

Overview of Productivity Heroes

"Productivity Heroes" (PHs) are defined as **SMEs (aged 3 years or more) that grow both their revenue and their employment, with revenue growing at a faster rate.** These firms are critical to addressing the long-standing "Productivity Puzzle" and the regional productivity gap, where Wales has historically lagged behind the UK average. The focus on these firms in this report is not that Productivity Heroes should replace other definitions of fast-growing firms, but that Productivity Heroes answer a productivity question. Given that Wales's policy priority is closing a persistent productivity gap, a definition sensitive to productivity dynamics is more policy-relevant than other definitions such as the OECD High-Growth Firm definition sensitive to headcount and/or turnover alone.

The Recent Performance of Welsh Productivity Heroes

The latest data show that Wales had **1,732 Productivity Hero (PH) firms in 2024-25**, representing **4.1% of SMEs aged three years and over.** While this is lower than the peak recorded in 2022-23, Productivity Heroes continue to make a significant contribution to the Welsh economy and remain slightly above the UK average (4.03%).

- **Scale:** The number of Productivity Heroes rose sharply from **1,181 firms in 2021-22** to a peak of **2,637 firms in 2022-23**, before moderating to **2,224 firms in 2023-24** and **1,732 firms in 2024-25**. This suggests that the exceptional surge seen in 2022-23 has eased, with the number of PH firms returning closer to longer-term levels.
- **Economic Impact:** Despite the decline in the number of PH firms, their contribution remains substantial. In **2024-25**, the 1,732 PH firms generated **£6.04 billion in turnover**, an increase of almost **45%** on the previous year, and created more than **5,200 additional jobs**. While this is lower than the **10,700 jobs created in 2022-23**, it demonstrates that PH firms continue to be important contributors to business growth and employment in Wales.
- **Efficiency:** Productivity performance has remained particularly strong. Labour productivity among PH firms increased from approximately **£133,000 per employee in 2023-24 to £165,000 per employee in 2024-25**, a rise of around **24%**. This mirrors the improvement recorded in 2022-23, when productivity increased from **£105,000 to £132,000** per employee. The evidence suggests that, although the PH population has become smaller, those firms that remain are becoming increasingly productive.
- **National Comparison:** Wales outperformed the UK average in **2022-23**, when PHs accounted for **6.3% of Welsh SMEs**, compared with **5.9% across the UK**. Since then, the gap has narrowed, with Wales recording **5.2% in 2023-24** and **4.1% in 2024-25**, compared with UK averages of **5.4%** and **4.0%** respectively. This indicates that Wales has broadly converged towards the UK average, while continuing to maintain a marginal lead.

Key takeaway: Although the number of Productivity Heroes has declined since the exceptional peak recorded in 2022-23, the latest evidence suggests Wales now has a smaller but increasingly productive cohort of firms. As productivity growth is increasingly being achieved without corresponding employment growth, Productivity Heroes remain particularly important because they combine productivity improvements with job creation. In 2024-25, these firms continued to generate strong turnover growth, rising labour productivity and more than 5,200 additional jobs, underlining their importance to Wales's long-term economic performance.

Executive summary

Key Characteristics of Productivity Heroes

- **Size:** While **micro firms (1–9 employees) make up 58%** of Productivity Heroes, medium-sized firms (100–249 employees) have the highest "PH density", with nearly one-fifth all firms in that size bracket qualifying as heroes. However, micro firms achieving Productivity Hero status on average is lesser in Wales compared to the UK average of 63%.
- **Age:** Productivity gains are predominantly driven by **young to mid-aged firms**, with 57% of PHs aged between 3 and 9 years.
- **Sector: Business Services (33.5%) and Wholesale/Retail (17.03%) are the largest sectors.** Although Wales continues to have a higher share of manufacturing Productivity Heroes (PHs) than the UK average, this share has been gradually declining in recent years. Manufacturing PHs accounted for 10.5% of all PHs in Wales in 2022–23, falling to 8.0% in 2023–24 and 7.9% in 2024–25. Nevertheless, these figures remain above the corresponding UK averages of 8.2%, 7.3%, and 7.1%, respectively.
- **Geography:** Over half (55%) of Welsh PHs are located in **West Wales and The Valleys**. Urban and peri-urban areas, specifically **Swansea, Cardiff, and Newport**, show the highest concentrations of these firms. Though there are some indications of regional balancing, these areas remain the PH hubs.

Strategic Drivers and Success Factors

Indicative insights from Welsh business leaders identify three pillars of success for Productivity Heroes:

1. **Customer-Centric Focus:** Prioritizing quality, on-time delivery, and customer satisfaction.
2. **Employee Engagement:** Extensive investment in **staff training**, leadership development, and building a strong, transparent company culture.
3. **Innovation and Technology:** Adopting **digitalisation and new business processes** to enhance efficiency rather than just increasing resources.

Challenges and Policy Recommendations

The declining share of Productivity Heroes within Productivity Growth firms suggests that productivity gains are increasingly being achieved without corresponding employment growth. Policy should therefore move beyond broad SME support towards targeted interventions that help firms combine productivity, investment, skills and job creation.

1. **Skills and leadership:** Strengthen incentives for recruitment, workforce development, mentoring and management training, with provision better aligned to business needs
2. **Finance for productive investment:** Target finance towards practical productivity-enhancing activity, including lean processes, digital adoption, automation, systems integration and succession models such as Employee Ownership Trusts.
3. **Digital and sustainability support:** Streamline diagnostic reviews and provide follow-on capital so firms can turn digital, carbon reduction and operational improvements into measurable productivity gains.
4. **Place-based infrastructure:** Align business support with investment in transport, broadband, premises and labour-market connectivity, especially outside Wales's strongest productivity hubs.
5. **Regulatory stability:** Help firms plan for cost and regulatory changes, while using evidence from Productivity Heroes to advocate for a stable investment environment.
6. **Sharper targeting:** Use the Productivity Hero framework alongside wider high-growth definitions to identify firms most likely to deliver sustained productivity, turnover and employment growth.

Future Research Questions

The report identifies a future research agenda focused on understanding whether Productivity Hero status is sustained over time, which productivity-growth pathways are becoming more prevalent, and how these firms contribute to Wales's wider productivity challenge relative to the rest of the UK and the other devolved nations. Priority areas include longitudinal analysis of Productivity Heroes over a longer period; closer examination of firm-level strategies such as lean processes, digital adoption, leadership capability and ownership models; further investigation of regional productivity variation within Wales; and assessment of how skills provision, infrastructure, regulation, Net Zero requirements and wider cost pressures shape firms' investment decisions and capacity for inclusive growth.

Introduction

The UK's productivity problem is not, in the main, a problem of business survival, business formation, or even business growth in the conventional sense. It is a problem of too few firms achieving growth that actually raises output per worker. Since the mid-2000s, UK productivity growth has stalled well below its pre-financial-crisis trend, and conventional measures of business dynamism and growth have offered policymakers only a partial explanation of why. This chapter sets out the evidence on a specific, and until recently under-examined, group of firms that sit at the centre of that puzzle: Productivity Heroes.

Previous studies have shown that while around three-fourths of firms with increasing turnover also enhance productivity, the correlation between job growth, revenue growth, and productivity remains weak (Anyadike-Danes and Hart, 2017). Further research on UK productivity dynamics highlights that the country has been experiencing a prolonged productivity crisis, particularly in the aftermath of the 2008 Global Financial Crisis. Although aggregate productivity increased between 2008 and 2015, average firm-level productivity did not show a corresponding improvement (Anyadike-Danes and Hart, 2017a; 2017b; 2018).

Productivity Heroes are defined as firms that grow both turnover and headcount but grow turnover faster than headcount — meaning employment growth is accompanied by productivity growth, rather than being a proxy for it. This is a small population: roughly 36,000 UK firms (around 8% of all firms increasing productivity) meeting this definition contributed over £268 billion to the UK economy in 2022. The latest data show that Productivity Heroes' share of all Productivity Growth firms rose to 8.64% in 2023-24 before falling to 7.03% in 2024-25.

In 2024-25, these 50,934 firms collectively contributed £239 billion to UK economy. Unlike the OECD's binary pass/fail threshold, the concept is designed to identify the specific dynamic — simultaneous turnover, jobs and productivity growth — that most firms never achieve, and that has closer bearing on the policy outcome (productivity) than employment growth alone.

ERC research comparing employment-based and productivity-based fast-growth populations (using the ONS Business Structure Database, 1997–2013) found that these are a substantially different sets of firms with different economic contributions: employment-based High-Growth Firms generate large numbers of jobs but have mixed productivity records, while productivity-based fast-growing firms show much stronger productivity performance but comparatively modest job creation. Selecting on employment growth alone, as the OECD definition does, therefore systematically overlooks a set of firms that may matter more to Wales's core policy problem — weak productivity growth and a widening productivity gap with the rest of the UK — than the "job-creating gazelles" the OECD lens is built on.

UK policy more broadly has defaulted almost automatically to the OECD/Eurostat definition of a High-Growth Firm (HGF): a firm with average annualised employment growth greater than 20% per annum over a three-year period, starting with a minimum of 10 employees. This definition has become the default not because it is analytically superior, but because it is administratively convenient — it is easy to compute from business register data and easy to compare across countries. Convenience of measurement has been mistaken for validity of concept.

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As Hart, Prashar and Ri (2021; Hart, 2026) set out, treating "the HGF" as a single, stable population of firms misdirects both research and policy. There is no such thing as a High-Growth Firm — only firms that pass through high-growth episodes, which are typically short-lived, poorly predicted by firm characteristics, and heavily attritional (of the 2005–08 HGF cohort identified in the original NESTA "vital 6%" work, some 40% had exited the market by 2016). A definition built around a single growth metric, applied at a single threshold, over a fixed period, cannot capture this dynamic reality — and it privileges one kind of growth (headcount) over others that matter just as much to the Welsh economy.

For this report, the argument is, therefore, not that Productivity Heroes should replace the OECD definition, or indeed any other definition of a fast-growing firm, but rather that:

1. **The OECD definition answers a job-creation question; Productivity Heroes answer a productivity question**. Given that Wales's policy priority is closing a persistent productivity gap, a definition sensitive to productivity dynamics is at least as policy-relevant as one sensitive to headcount alone.

2. **Different definitions identify different firms**, which means different targeting implications for business support, finance and skills interventions. Applying a single definition risks designing support around the wrong population.

3. **The OECD threshold is scale-blind in a way that penalises the Welsh firm base**. Its 10-employee minimum and 20%-per-annum threshold were calibrated on datasets dominated by larger economies; against a business base as heavily micro- and small-enterprise weighted as Wales's, it structurally excludes many of the firms most relevant to Welsh productivity policy.

4. **A plural definitional framework is more consistent with the evidence base**. Given that high growth is episodic rather than a stable firm trait, a single fixed-threshold definition is always going to be a partial — and arguably arbitrary — snapshot. Using Productivity Heroes alongside the OECD definition, and being explicit about what each captures, gives Welsh Government a more defensible and more targeted evidence base than reliance on the OECD 'scale-up' measure alone.

In addition to the longstanding 'Productivity Puzzle', significant disparities persist across the UK. Studies indicate that Wales consistently underperforms compared to the UK average in terms of productivity (Jones, 2025). The magnitude of this gap is larger in Wales than in most other UK regions and nations. As illustrated in Figure 1, the productivity gap between the most productive firms—referred to here as Productivity Heroes—and the UK average remains substantial in 2022–23. **In line with previous findings, Wales emerges as a nation with the widest productivity shortfall.**

We estimated the productivity gap for 2022 and 2023 using the labour productivity of the Productivity Hero firms in 2023, while the productivity gap for 2024 and 2025 was estimated using the labour productivity of the Productivity Hero firms in 2025. The average productivity level was calculated using turnover divided by the total number of employees. We also estimated the average labour productivity across the 12 Government Office Regions (GOR) and Nations in the UK for these years. Similarly, we derived the labour productivity of these firms for the year from 2022 to 2025.

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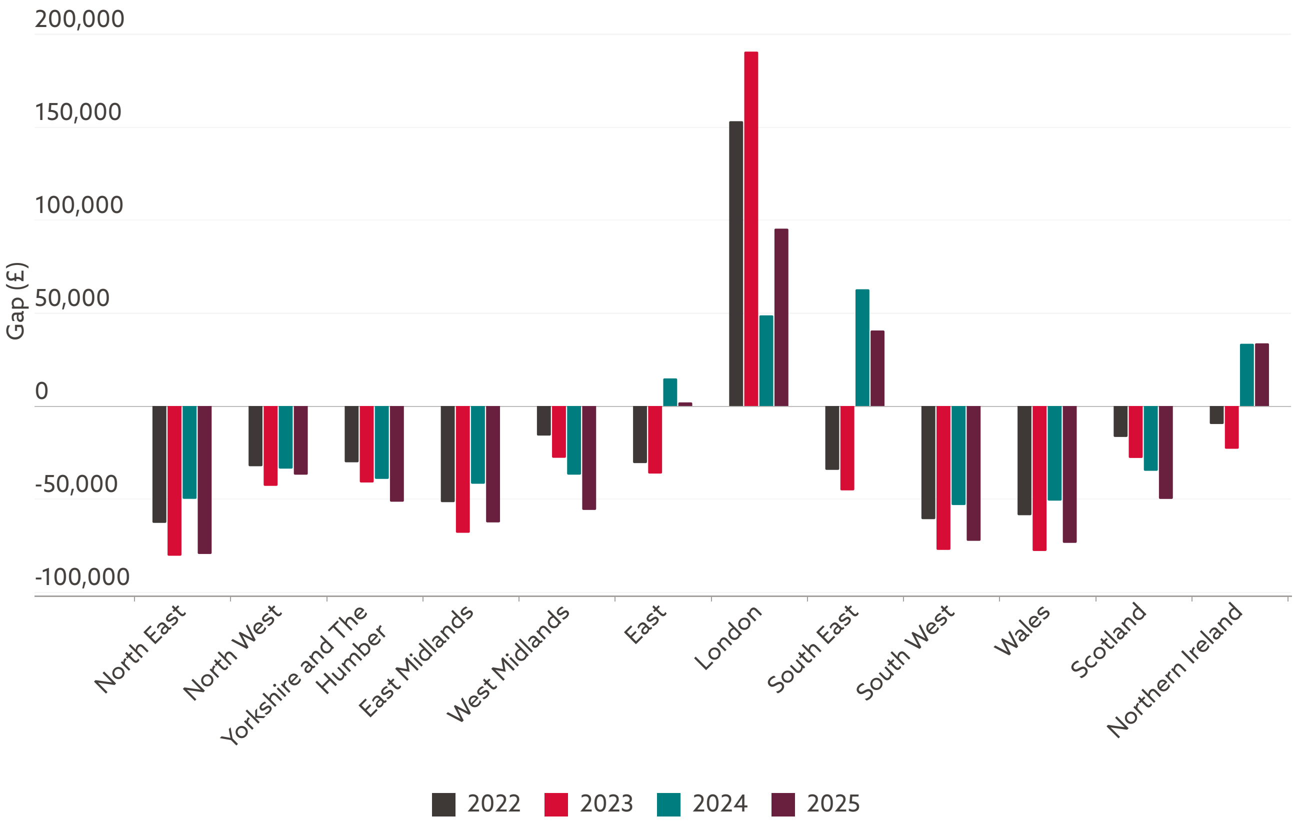
To determine the average productivity gap, we subtracted each region's average productivity from the overall UK average. Our analysis reveals a pronounced and persistent geographical concentration of high firm-level productivity in the UK with London standing out as an outlier with significantly higher productivity compared to the UK average. In contrast, Wales, the South-West, and the North-East regions lag furthest behind the national average (Figure 1). This is consistent with the findings of the Office for National Statistics that London's output per hour was 28.5% above the UK average in 2023 and the South- East was 7.7% above it, while every other UK region or nation was below average. Wales, the West Midlands, the East Midlands and the North- East had the four lowest official output-per-hour levels relative to the UK average[1]. This represents the overall scenario whereas we provide the national/regional gap in productivity of the Productivity Hero firms.

As Jones (2025) also notes, there exists considerable intra-regional variation within Wales itself. Local areas such as Powys, Gwynedd, and Conwy and Denbighshire are traditionally among the lowest-productivity zones. Therefore, a key challenge for Wales is not only to raise its overall productivity but also to ensure that growth is geographically inclusive, fostering regional convergence and helping Wales move closer to the UK average. From Figure 1, we observe that Wales continues to be the lowest-productivity nation throughout the period from 2022 to 2025. Of note is that from 2024 onwards, Northern Ireland has improved its relative productivity performance. However, this improvement was driven primarily by turnover growth rather than employment growth, with Northern Ireland recording the lowest employment growth among Productivity Hero firms at just 14%.

Given the longstanding nature of the UK's productivity debate and the policy priority of the Welsh Government in narrowing the productivity gap, this report seeks to explore the dynamics of productivity in Wales by focusing on a distinct group of high-performing firms—known as Productivity Heroes. This analysis places particular emphasis on examining the number, characteristics, sectoral and spatial distribution, and economic contribution of these firms—Productivity Heroes—to better understand their role in shaping Wales's productivity performance over time and in comparison, with other UK nations.

[1] For more details see https://www.ons.gov.uk/economy/economicoutputandproductivity/productivitymeasures/bulletins/regionalandsubregionallabourproductivityuk/latest

Figure 1 - *shows the consistent gaps in productivity for productivity heroes across the UK regions and nations from 2022 to 2025 compared to the UK average.*



Source: ONS Business Structure Database.

Sections 2 through 4 utilise the ONS Business Structure Database data to quantify the number of these firms, their significant **economic contribution** to turnover and jobs, and their specific **characteristics**, such as sector, geographic location within Wales, size, and age. **Section 5, "Lifting the Lid,"** shifts to qualitative findings from an online survey and five detailed case study interviews with CEOs to explore the internal strategic drivers of success. The report concludes in **Section 6** with a final summary that synthesizes these findings, proposes **future research questions**, and outlines targeted **policy options** for business support and finance to help bridge the Welsh productivity gap.

How many Productivity Heroes and productivity growth firms?

The base population used to identify the number of Productivity Heroes and Productivity Growth firms includes all surviving private sector SME employer enterprises (with 1–249 employees) that are at least 3 years old, across different regions and nations in the UK—specifically focusing on Wales in this document. Productivity growth can occur in a variety of ways, as shown in Table 1; however, our main focus is on 'Category 1' among the five categories of productivity growth firms, which we refer to as Productivity Heroes. Productivity Heroes are defined as those SMEs aged 3 years or more that are growing both in terms of revenue and employees, with revenue growing at a faster rate (Hart and Bonner, 2024). Unless otherwise stated, percentages in this section refer to PHs as a share of all SMEs aged 3+.

Table 1 - ***Categories of Productivity Growth Firms***

Category	Definition
Category 1	Turnover growth (>0) > Employment growth (>0) - **Productivity Heroes**
Category 2	Turnover growth (>0) > Employment growth (=0)
Category 3	Turnover growth (>0) > Employment growth (<0)
Category 4	Turnover growth (=0) > Employment growth (<0)
Category 5	Turnover growth (<0) > Employment growth (<0)

Source: Hart, M and Bonner, K (2024).

The trend in the share of productivity growth firms among SMEs aged 3 years or more, as shown in Table 2 and Figure 2, indicates that in 2018–19, nearly half of such SMEs were improving productivity through any of the five identified pathways. However, this share dropped across all UK nations to around 37% by 2021–22. In 2022–23, there is a notable uptick, with the share rising to over 60%. At the same time, examining the different categories of productivity growth firms offers valuable insights into how businesses achieve these gains, whether through expansionary or contractionary mechanisms. Notably, during the pandemic year (2020–21), the share of Productivity Heroes within the total group of productivity growth firms declined.

The share of Productivity Heroes among Productivity Growth firms also declined after reaching a peak in 2022–23. In Wales, it fell from 9.64% in 2022–23 to 8.20% in 2023–24 and 6.97% in 2024–25. Similar declines are observed in the UK, where the share decreased from 9.32% to 8.64% and then to 7.03%, and in Scotland, where it fell from 10.77% to 9.05% and 7.42% over the same period. Northern Ireland experienced the sharpest decline, with the share falling from 9.91% in 2022–23 to 9.55% in 2023–24 and then to 4.62% in 2024–25. These findings indicate that, although more than half of surviving SMEs continued to achieve productivity growth, a declining proportion did so by simultaneously increasing employment and turnover, with turnover growing at a faster rate.

This could lead us to the observation that there has been a gradual shift away from expansionary productivity growth towards other pathways involving limited employment growth or workforce contraction.

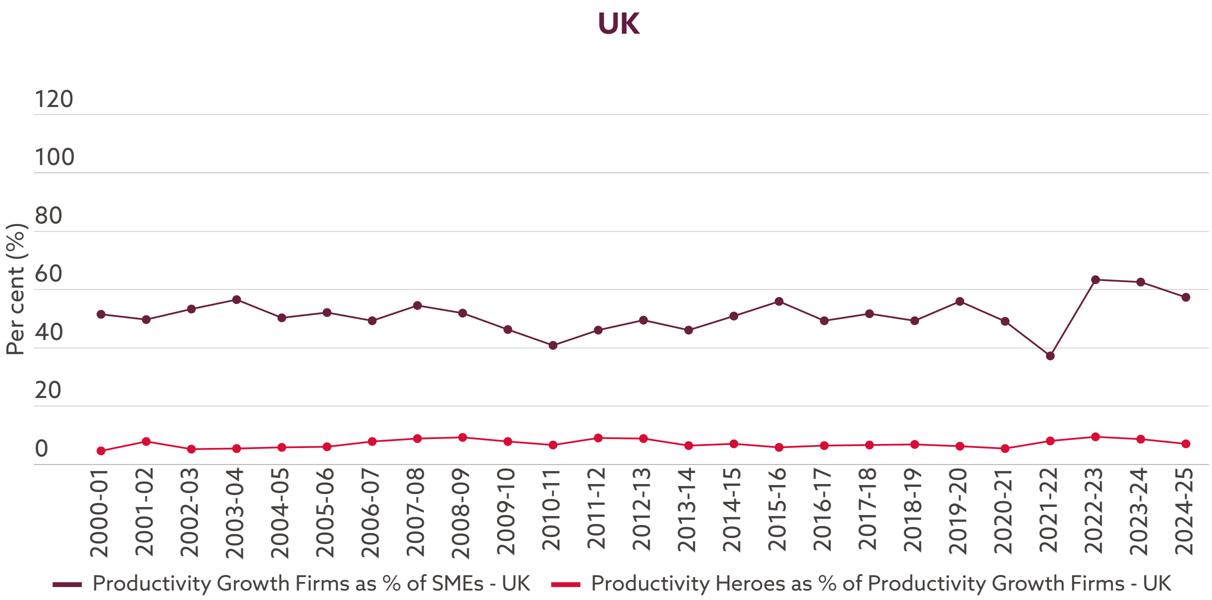
The base population of SMEs aged 3 years or more in Wales has remained above 41,000 over the last few years, reflecting a growth of 32% since 2007–08. Among these SMEs, nearly 50% have consistently been classified as Productivity Growth firms throughout the period examined—except in 2021–22 and 2022–23. In 2021–22, in line with the UK average, the share of Productivity Growth firms in Wales dropped to 36.5%. However, in the following year, this figure rose sharply to around 65%, suggesting that a larger share of firms experienced revenue growth outpacing employment growth. As the underlying population of established SMEs remained broadly stable at above 41,000, there has been a decline in the number of firms achieving productivity growth through any of the identified routes, alongside an even more pronounced fall in the number of Productivity Hero firms in 2024–25. Although the share of Productivity Growth firms within the SME base remained slightly above the UK average, the 23% decline in the number of Productivity Hero firms compared with the previous year suggests that Welsh firms are struggling to achieve simultaneous growth in both turnover and employment.

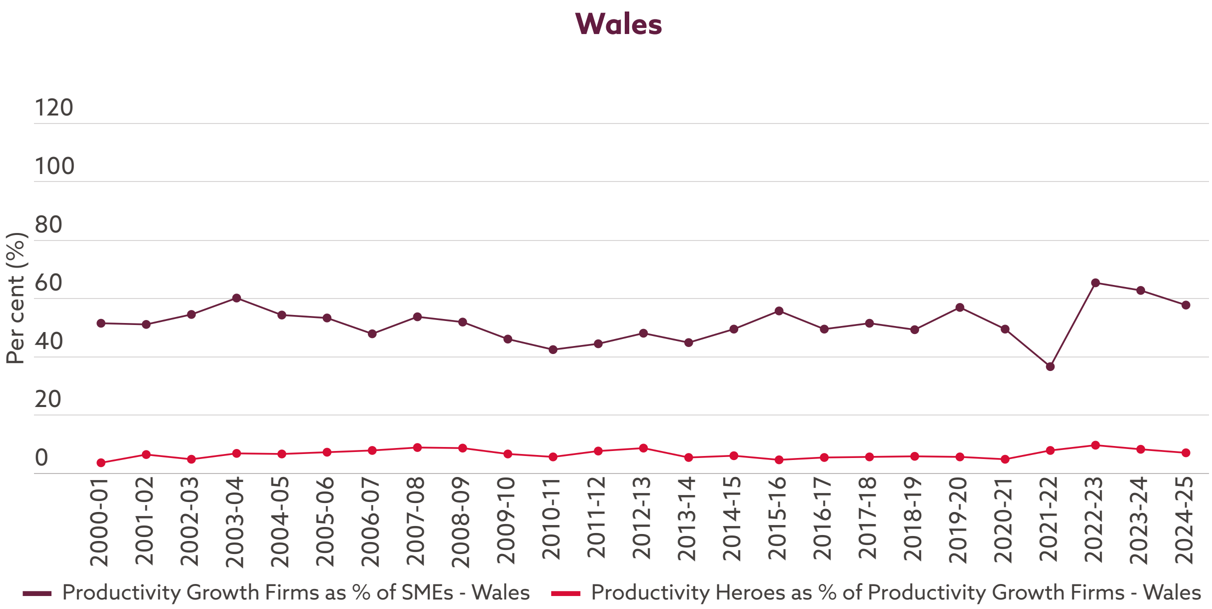
An analysis of the different categories of Productivity Growth firms shows that in Wales, nearly three-quarters of such firms improve productivity through revenue growth without any increase in employment (see Table 3). Additionally, the number of firms achieving productivity gains by reducing their workforce while still increasing turnover has risen in 2022–23 and 2023-24 before slightly moderating in 2024-25—reflecting the tight labour market conditions in Wales, as well as in other parts of the UK.

In 2024–25, Wales had 1,732 Productivity Heroes, accounting for 6.97% of productivity growth firms and 4.09% of SMEs aged three years or more. This represents a decline from 2,224 firms in 2023–24 and from the exceptional peak of 2,637 firms in 2022–23, when Productivity Heroes accounted for 9.6% of productivity growth firms and 6.3% of established SMEs. The 2022–23 cohort had more than doubled compared with 2021–22, possibly reflecting tight labour market conditions in which increasing employment was more difficult than increasing turnover. The latest data indicate that Wales is now broadly converging with the UK average, with Welsh Productivity Heroes representing 5.24% of SMEs in 2023–24 and 4.09% in 2024–25, compared with UK averages of 5.38% and 4.03% respectively.

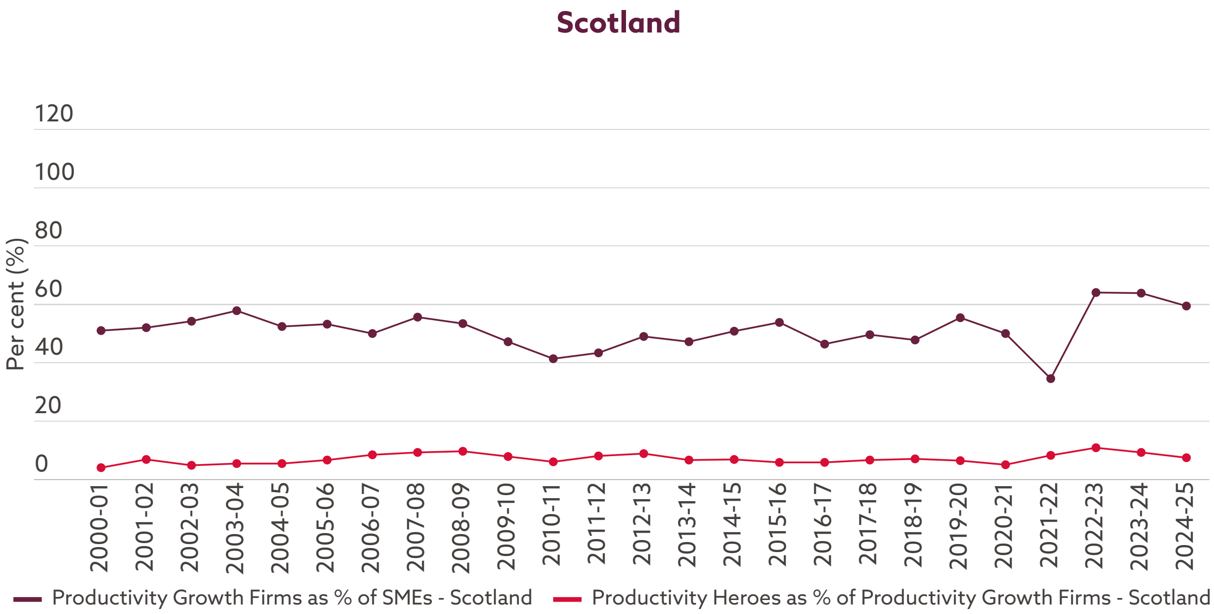
How many Productivity Heroes and productivity growth firms?

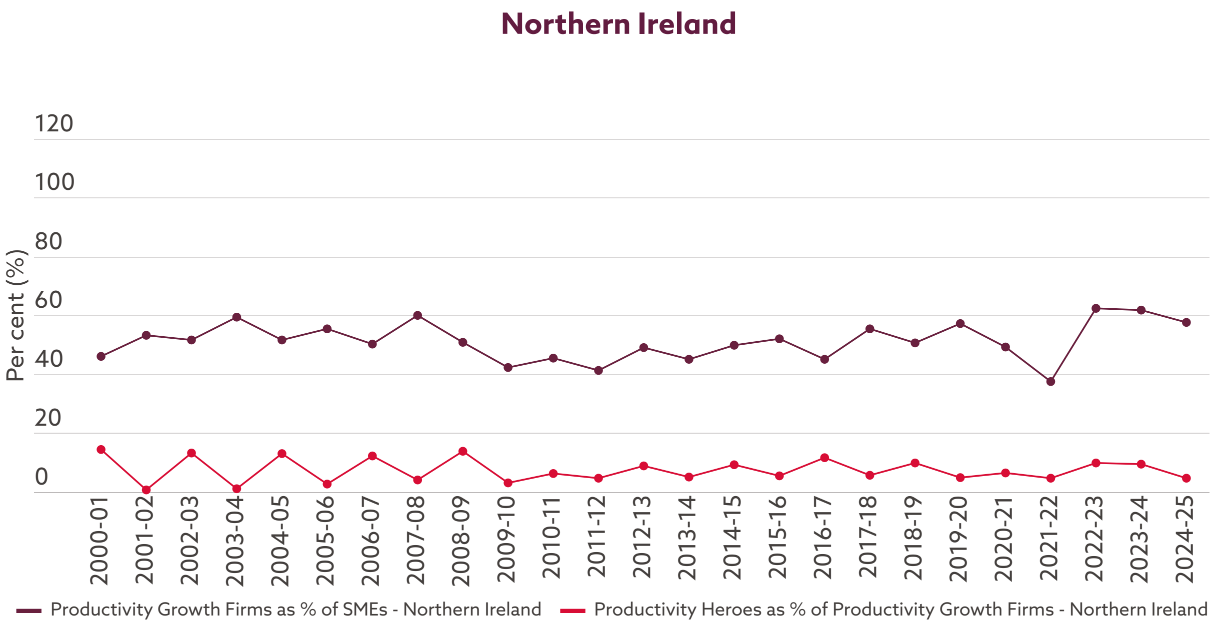
Figure 2 - *Productivity Growth Firms as a Percentage of SMEs Aged 3+ and Productivity Heroes as a Percentage of Productivity Growth Firms*





Source: ONS Business Structure Database.





Source: ONS Business Structure Database.

Table 2 - *Trends in Productivity Growth and Productivity Heroes Among SMEs (3+ Years) Across UK Nations, 2007–08 to 2024–25*

Nation	Year	No. of SMEs (aged 3+ years)	Achieving Productivity Growth No. and %	Productivity Heroes No. and %
Wales	2007-08	31.5k	16.9k (53.55%)	1,482 (8.79%)
	2010-11	33.9k	14.4k (42.38%)	785 (5.46%)
	2018-19	39.3k	19.3k (49.16%)	1,097 (5.68%)
	2020-21	41.2k	20.4k (49.47%)	967 (4.75%)
	2021-22	41.6k	15.2k (36.46%)	1,181 (7.79%)
	2022-23	41.8k	27.3k (65.35%)	2,637 (9.64%)
	2023-24	43.3k	27.1k (62.58%)	2,224 (5.13%)
	2024-25	42.2k	24.8k (59.04%)	1,732 (4.09%)
Scotland	2007-08	54.4k	30.2k (55.54%)	2,769 (9.17%)
	2010-11	59.0k	24.3k (41.18%)	1,453 (5.98%)
	2018-19	73.9k	35.2k (47.65%)	2,433 (6.91%)
	2020-21	76.7k	38.3k (49.91%)	1,874 (4.90%)
	2021-22	75.9k	26.2k (34.53%)	2,129 (8.13%)
	2022-23	75.9k	48.5k (63.97%)	5,229 (10.77%)
	2023-24	77.2k	49.2k (63.73%)	4,460 (5.78%)
	2024-25	76.7k	45.4k (59.19%)	3,393 (4.42%)
Northern Ireland	2007-08	21.2k	12.8k (60.10%)	516 (4.04%)
	2010-11	22.1k	10.1k (45.55%)	637 (6.32%)
	2018-19	21.9k	11.1k (50.74%)	1,088 (9.80%)
	2020-21	23.8k	11.7k (49.27%)	758 (6.46%)
	2021-22	24.8k	9.3k (37.47%)	444 (4.78%)
	2022-23	25.9k	16.2k (62.36%)	1,603 (9.91%)
	2023-24	27.0k	16.7k (61.85%)	1,596 (5.91%)
	2024-25	27.7k	15.9k (57.40%)	740 (2.67%)
UK	2007-08	824.5k	448.5k (54.39%)	39.2k (8.75%)
	2010-11	882.9k	358.9k (40.65%)	23.7k (6.61%)
	2018-19	1,132.1k	556.8k (49.18%)	37.1k (6.67%)
	2020-21	1,214.1k	595.7k (49.07%)	32.1k (5.40%)
	2021-22	1,224.3k	453.2k (37.02%)	36.2k (8.01%)
	2022-23	1,236.8k	783.4k (63.34%)	73.0k (9.32%)
	2023-24	1,259.5k	785.5k (62.37%)	67.9k (5.39%)
	2024-25	1,263.7k	724.3k (57.32%)	50.9k (4.03%)

Source: ONS Business Structure Database.

Table 3 - *Categories of Productivity Growth Firms in Wales, Scotland and Northern Ireland*

Nation	Year	Productivity Growth Categories (%)					No. of Productivity Growth Firms
		Cat 1	Cat 2	Cat 3	Cat4	Cat 5	
Wales	2019–20	5.60	77.15	7.62	1.21	8.43	22,914
	2020–21	4.75	74.50	8.63	1.61	10.51	20,373
	2021–22	7.79	71.48	7.32	1.87	11.54	15,156
	2022–23	9.64	72.81	10.58	1.19	5.78	27,342
	2023–24	8.20	73.00	10.10	1.35	7.36	27,131
	2024–25	6.97	74.16	9.11	1.46	8.29	24,840
Scotland	2019–20	6.31	75.52	8.24	1.42	8.50	41,964
	2020–21	4.90	73.26	9.77	1.78	10.30	38,274
	2021–22	8.13	70.15	7.71	2.35	11.67	26,200
	2022–23	10.77	72.57	9.58	1.35	5.73	48,544
	2023–24	9.05	72.79	10.07	1.34	6.75	49,232
	2024–25	7.42	74.14	9.36	1.48	7.61	45,469
Northern Ireland	2019–20	4.92	84.39	5.51	0.51	4.67	12,835
	2020–21	6.46	73.33	9.41	1.25	9.55	11,741
	2021–22	4.78	82.12	5.86	0.72	6.52	9,286
	2022–23	9.91	71.33	13.01	0.87	4.88	16,176
	2023–24	9.55	71.62	11.12	1.06	6.64	16,722
	2024–25	4.62	85.90	4.87	0.70	3.91	15,984

Source: ONS Business Structure Database.

Productivity Heroes' contribution to Welsh economy

In 2024–25, Wales's 1,732 Productivity Hero (PH) firms continued to make a substantial economic contribution despite a smaller cohort than at the 2022–23 peak. Employment increased by 16.7% and turnover by 44.8%, confirming that turnover growth continued to outpace employment growth. Wales's growth rates were below Scotland's equivalent figures of 17.7% and 49.0%, but ahead of Northern Ireland's 13.8% and 42.6%.

Growth has moderated since 2022–23, when 2,637 Welsh PH firms increased employment by 22.7% and turnover by 53.7%, outperforming Scotland and Northern Ireland on both measures. The latest figures nevertheless show that the remaining cohort continues to deliver strong turnover growth, productivity gains and additional employment.

Table 4 - ***Productivity Heroes' Contribution to the Welsh Economy***

	2024	2025	Growth	% of growth
Employment	31,428	36,666	5,238	16.7%
Turnover	£4.17 bn	£6.04 bn	£1.87 bn	44.8%
Productivity	£132,729	£164,746	£32,017	24.1%
Average employment	18.1	21.2	3.02	16.7%
Average turnover	£2,408,437	£3,487,628	£1,079,191	44.8%
No. of Productivity Heroes	**1,732**	**1,732**	–	–
	2022	**2023**	**Growth**	**% of growth**
Employment	47,093	57,799	10,706	22.7%
Turnover	£4.96 bn	£7.62 bn	£2.66 bn	53.7%
Productivity	£105,230	£131,796	£26,567	25.2%
Average employment	17.9	21.9	4.06	22.7%
Average turnover	£1,879,251	£2,888,776	£1,009,524	53.7%
No. of Productivity Heroes	**2,637**	**2,637**	–	–

Source: ONS Business Structure Database.

As shown in Tables 2 and 4, there were 2,637 PH firms in Wales in 2022–23. Collectively, these firms increased their turnover from £4.96 billion in 2022 to £7.62 billion in 2023, representing an increase of £2.66 billion, or 53.7%. Average turnover per firm increased by approximately £1 million, from £1.88 million to £2.89 million.

In terms of employment, the number of people employed by these firms increased from 47,093 to 57,799, representing an additional 10,706 jobs, or an average increase of approximately four jobs per firm. Most notably, labour productivity increased by 25.2%, with turnover per employee rising from £105,230 to £131,796.

Productivity Heroes' contribution to Welsh economy

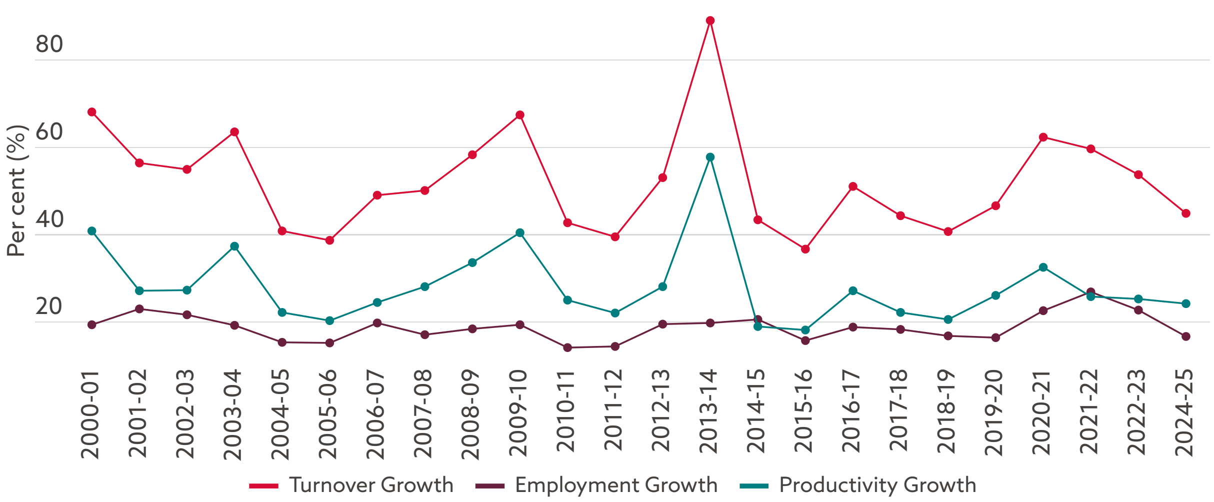
The results for the latest year 2024–25 indicate a further moderation in the growth contribution of PH firms in Wales. Employment among these firms increased from 31,428 to 36,666, representing growth of 16.7%, while turnover rose from £4.17 billion to £6.04 billion, an increase of 44.8%. Although both growth rates were lower than those recorded in 2022–23 and 2021–22, turnover continued to grow substantially faster than employment. As a result, productivity among Welsh PH firms increased by approximately 24.1%, from around £133,000 to £165,000 per employee. Compared with the other devolved nations, employment and turnover growth in Wales were lower than in Scotland, at 17.7% and 49.0%, respectively, but remained higher than in Northern Ireland, where the corresponding growth rates were 13.8% and 42.6%.

Overall, the results show that PH firms continue to make an important contribution to employment, turnover and productivity growth in Wales.

However, Figure 3 indicates that the pace of employment and turnover growth among the most recent PH cohorts has further moderated. Further, Wales appears to have the lowest employment growth after Northern Ireland (Figure 4). This raises concerns about whether Welsh firms can sustain high levels of simultaneous employment and turnover growth over time. The findings therefore highlight the importance of adopting a more targeted approach to identifying and supporting firms with the greatest potential to scale, creating employment and generating sustained productivity gains, both in Wales and across the UK.

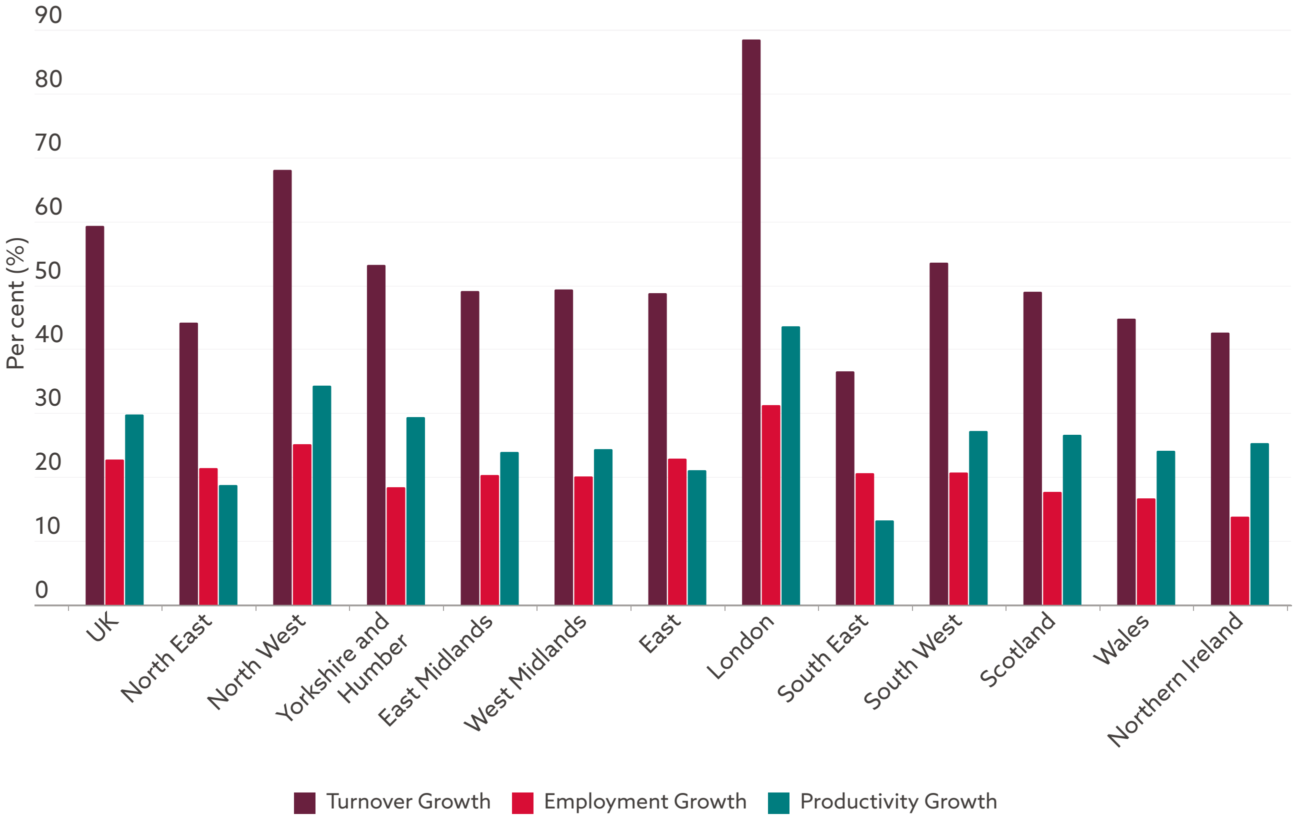
It is also important to note that the annual PH cohorts may include different firms. Therefore, the changes over time should be interpreted as differences in the aggregate performance of each year's PH cohort, rather than as changes experienced by the same firms across all years.

Figure 3 - ***Turnover, Employment and Productivity Growth of Productivity Heroes in Wales (in%)***



Source: ONS Business Structure Database.

Figure 4 - *Growth of Turnover, Employment and Productivity of Productivity Heroes in 2024-25*



Source: ONS Business Structure Database.

Productivity Heroes – sector, location and firm characteristics

4

4.1. Sector

As shown in Table 5, the largest proportion of Productivity Heroes in Wales comes from the Business Services sector, followed by Wholesale and Retail. However, when compared to the UK average of PHs in Business services, this share is relatively lower in Wales, Scotland and Northern Ireland. In contrast, the share of Productivity Heroes from manufacturing is relatively higher in Wales than the UK average, reflecting the country's comparatively stronger manufacturing base. However, the share of manufacturing Productivity Heroes shows a gradual decline from above 10% in 2022-23 to 8% in 2024-25.

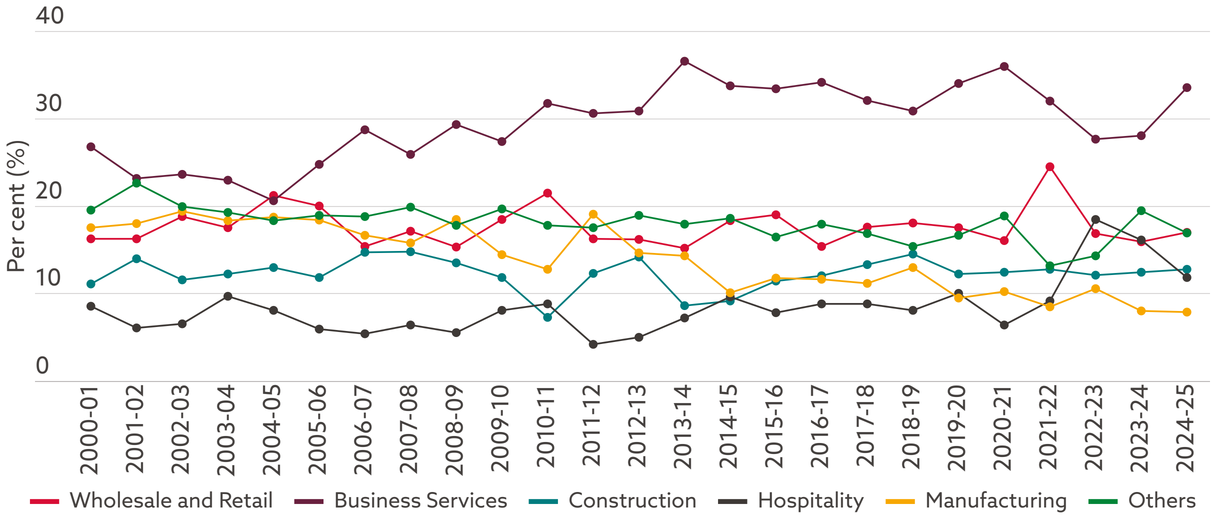
The trend shown in Figure 5 highlights a steady decline over time in the share of manufacturing Productivity Heroes in Wales. Conversely, the share of Business Services has been on the rise. This shift suggests a gradual convergence towards the broader UK sectoral composition of Productivity Heroes, where Business Services dominate.

Table 5 - ***Productivity Heroes by Sector 2024-25***

	Wales		Scotland		Northern Ireland		UK	
Sector	# of firms	%	# of firms	%	# of firms	%	# of firms	%
Wholesale and Retail	295	17.03	568	16.83	136	18.40	8,499	16.69
Business Services	581	33.55	1,125	33.34	192	25.98	20,066	39.40
Construction	221	12.76	385	11.41	82	11.10	5,868	11.52
Hospitality	205	11.84	433	12.83	74	10.01	4,288	8.42
Manufacturing	137	7.91	290	8.60	94	12.72	3,623	7.11
Others	293	16.92	573	16.98	161	21.79	8,590	16.86
Total	1,732	100.00	3,374	100.00	739	100.00	50,934	100.00

Source: ONS Business Structure Database.

Figure 5 - *Sectoral Composition of Productivity Heroes in Wales*



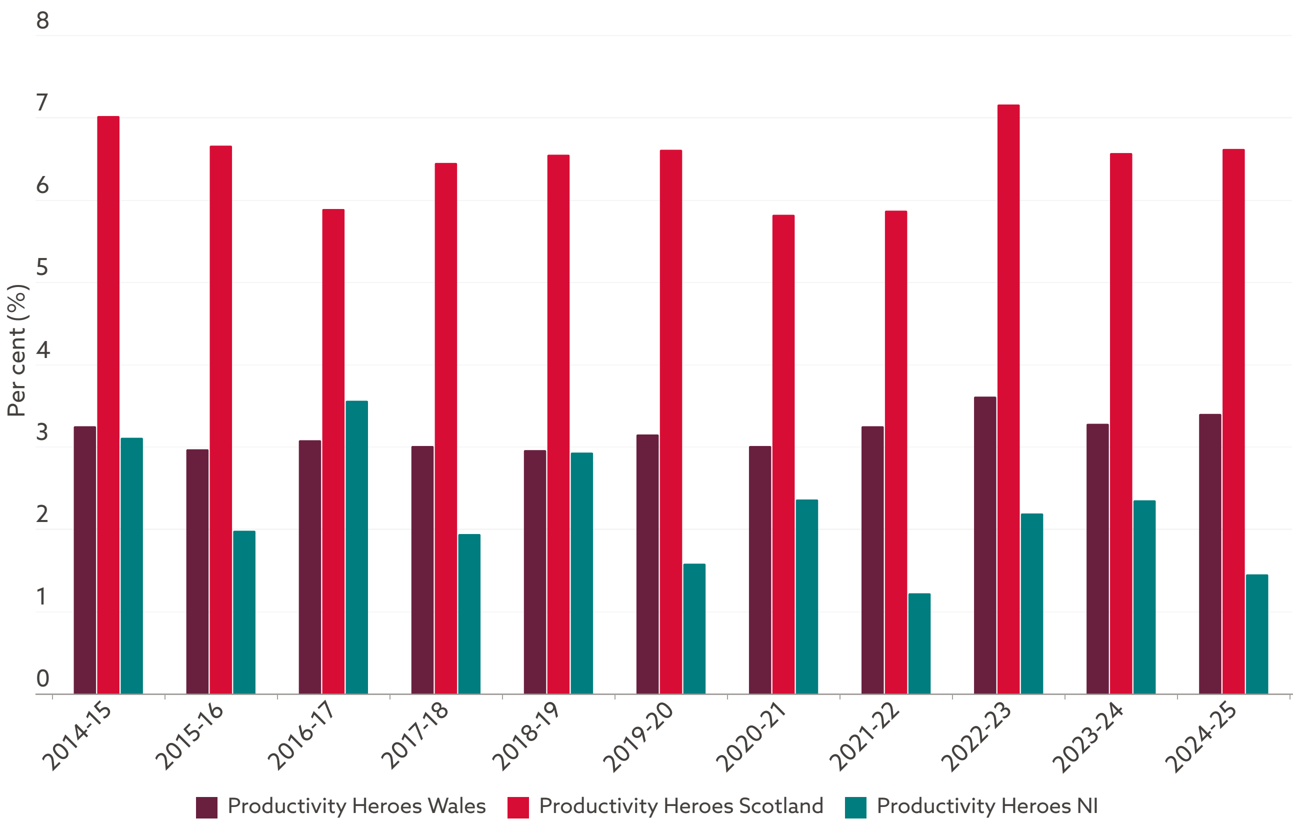
Source: ONS Business Structure Database.

4.2. Location

Among the devolved nations of the UK, Scotland consistently accounts for the highest share of Productivity Heroes after England. Between 2014–15 and 2022–23, Scotland's share rose from just over 6% to approximately 7%, before a slight decline in 2023-24 and 2024-25 indicating a modest but steady increase in its contribution to the UK's total pool of high-performing firms in terms of productivity (Figure 6). Wales also demonstrated a consistent upward trend, with its share increasing from below 3% in 2014–15 to 3.5% by 2024–25, reflecting a gradual strengthening of the country's role in driving productivity improvements.

In contrast, Northern Ireland's trend appears more volatile. Its share remains lower than both Scotland and Wales across the period, fluctuating rather than following a consistent trend.

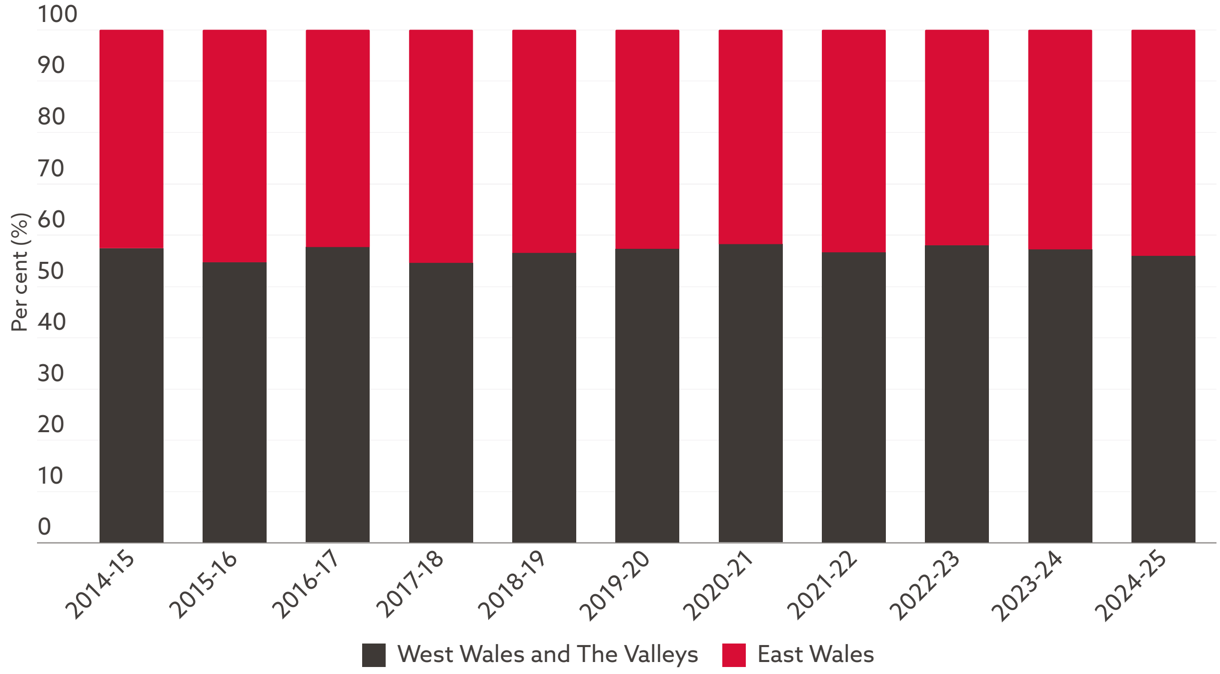
Figure 6 - *Share of Productivity Heroes in Total Productivity Hero Firms in UK (in%)*



Source: ONS Business Structure Database.

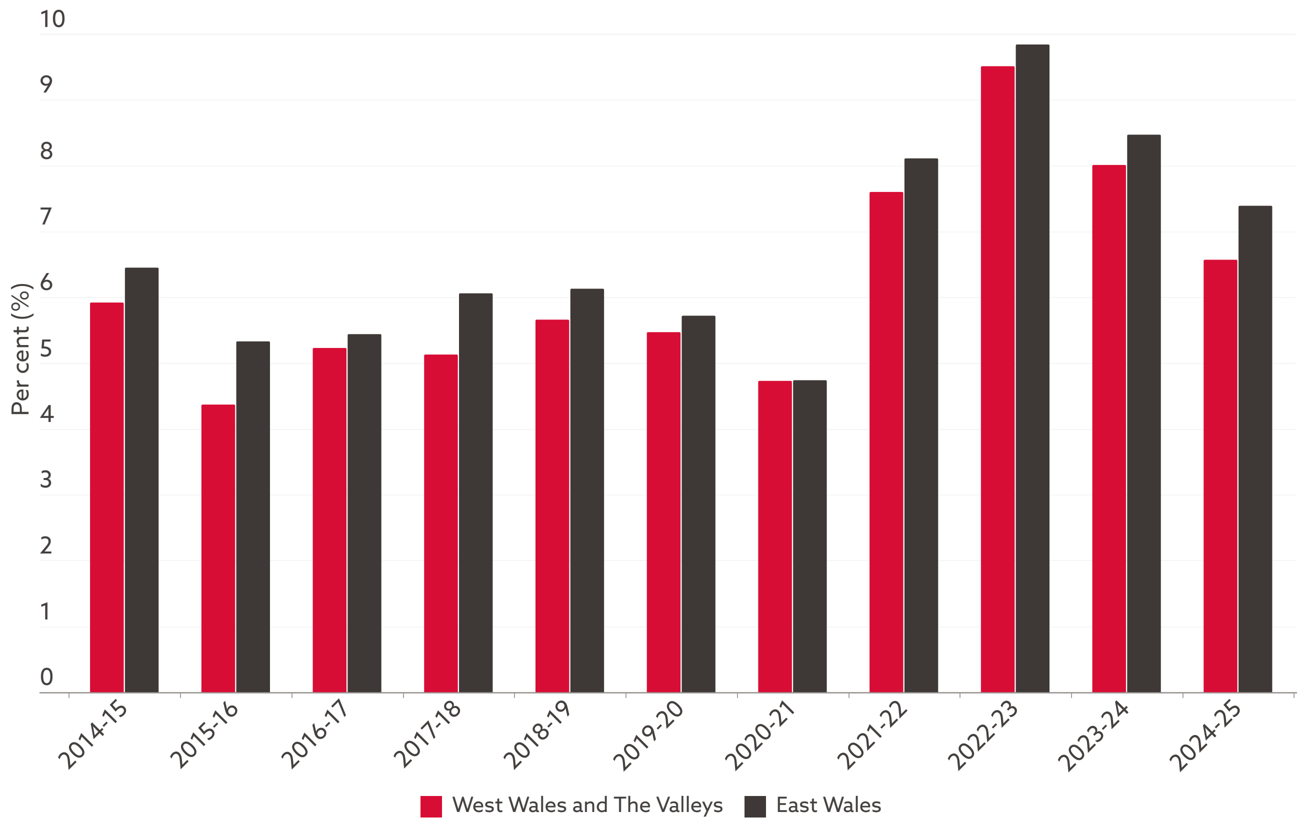
The distribution of Productivity Heroes across Wales reveals a consistent sub-national pattern over time, indicating that almost 55 percent of the Productivity Heroes are from West Wales and the rest are from the East (Figure 7). In both West and East Wales, the share of Productivity Heroes as a percentage of all firms increasing their productivity has increased in 2021-22 and 2022-23 compared to previous years (Figure 8). However, over the last two years, Productivity Hero firms have accounted for a slightly declining share of total Productivity Growth firms. This suggests that productivity growth is becoming more reliant on turnover growth, raising concerns about firms' capacity to absorb labour.

Figure 7 - *Distribution of Productivity Heroes in Wales (ITL 2)*



Source: ONS Business Structure Database.

Figure 8 - *Share of Productivity Heroes as Percentage of All Firms Increasing Productivity (ITL2)*



Source: ONS Business Structure Database.

Figure 9 - *Share of Productivity Heroes as Percentage of All Firms Increasing Productivity in Wales (ITL3)*

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Isle of Anglesey	5.64	3.53	3.72	4.45	5.73	6.20	4.12	8.62	7.85	8.58	6.11
Gwynedd	4.77	3.16	4.65	4.80	4.66	5.92	3.71	8.50	10.14	6.99	4.04
Conwy and Denbighshire	5.85	4.12	4.21	4.98	5.36	5.49	4.21	6.06	9.09	8.17	5.97
South West Wales	4.66	3.86	4.45	4.24	4.97	5.24	3.75	6.55	9.17	7.64	6.54
Central Valleys	6.23	4.95	6.94	5.85	6.27	4.83	5.01	8.74	9.12	7.57	7.75
Gwent Valleys	7.62	4.70	6.66	5.50	6.76	5.64	5.38	8.54	9.36	9.29	7.45
Bridgend and Neath Port Talbot	5.59	4.17	4.63	5.40	5.50	5.13	5.18	8.12	10.22	8.30	6.99
Swansea	7.60	6.03	6.02	6.16	6.24	6.20	6.45	8.57	10.78	7.69	6.37
Monmouthshire and Newport	6.52	4.37	4.86	6.88	6.15	5.98	4.94	6.82	10.16	8.19	7.12
Cardiff and Vale of Glamorgan	7.58	6.07	6.14	6.66	6.95	6.15	5.01	8.97	10.37	9.16	8.14
Flintshire and Wrexham	6.16	5.91	5.83	5.74	6.11	5.14	4.91	7.66	9.27	8.07	6.86
Powys	4.14	3.72	3.79	3.82	3.91	5.09	3.28	6.80	8.44	7.45	6.32

Source: ONS Business Structure Database.

% Value 10.0%+ 9.0-9.9% 8.0-8.9% 7.0-7.9% 6.0-6.9% 5.0-5.9% 4.0-4.9% 3.0-3.9%

A more disaggregated look at the spatial distribution of Productivity Heroes in Wales by ITL3 regions (Figure 9) shows that there is remarkable variation among the smaller regions in terms of share of Productivity Heroes as percentage of all firms increasing productivity in any of the five ways.

Regions such as Swansea, Cardiff and Vale of Glamorgan, Bridgend and Neath Port Talbot, and Monmouthshire and Newport consistently rank among the top performers in recent years. In 2022–23, Swansea reported the highest share of Productivity Heroes (10.78%), followed closely by Cardiff and Vale of Glamorgan (10.37%) and Monmouthshire and Newport (10.16%).

This suggests that these urban and peri-urban areas are playing a leading role in driving productivity-enhancing firm dynamics in Wales.

On the other hand, regions like Gwynedd, South-West Wales, and Powys showed relatively lower shares in earlier years, though most regions experienced a notable increase in 2021–22 and 2022–23, suggesting a broad-based improvement in productivity growth patterns across Wales. Since then, shares have moderated across all regions, falling back in 2023–24 and further in 2024–25, in line with the convergence of the Welsh average towards the UK average. Even so, the relative pattern has remained broadly stable: Cardiff and Vale of Glamorgan (8.14%), Central Valleys (7.75%) and Monmouthshire and Newport (7.12%) recorded the highest shares in 2024–25, while Gwynedd (4.04%) recorded the lowest.

4.3. Size

The size distribution of Productivity Heroes (PH) in Wales reveals that micro firms (1–9 employees) form the majority of these high-performing businesses, accounting for nearly 58% of all PHs in the country. Despite their dominance among PHs, only 2.83% of all 3+ year-old micro firms in Wales are classified as Productivity Heroes—slightly less than the UK average.

In contrast, small firms (10–49 employees) make up 34% of PHs in Wales, but here, their productivity impact is more pronounced: nearly 10% of SMEs in this category are Productivity Heroes. This rate is higher than the UK average (9.52%), showing the relatively strong role that small firms play in Wales' productivity dynamics.

The share becomes even more significant as firm size increases. Among medium-sized firms (50–99 and 100–249 employees), Productivity Heroes represent over 10% of all firms in their respective categories, with the 100–249 employee group seeing the highest PH density (16.71%) in Wales. These medium firms, while fewer in absolute number, show exceptional productivity performance relative to their size.

Overall, Wales has 1,732 Productivity Heroes, representing 4.1% of its SMEs aged 3+, slightly above the UK average of 4.03%. This suggests that while smaller firms dominate in number, productivity leadership in Wales strengthens with firm size, particularly from 50 employees upward.

In comparison to Scotland and Northern Ireland, Wales shows a similar structure in PH distribution, but its medium-sized enterprises appear more productive on average, especially when benchmarked against the UK.

Table 6 - *Productivity Heroes by Size and UK Nations – 2024-25*

Country	Size class	Productivity Heroes (PH)	SMEs aged 3+ years	Share of PH in SMEs (%)	Share of PH in total PH (%)
Wales	1–9 employees	996	35,250	2.83	57.51
	10–49 employees	589	5,934	9.93	34.01
	50–99 employees	87	729	11.93	5.02
	100–249 employees	60	359	16.71	3.46
Total		1,732	42,272	4.10	100.00
Scotland	1–9 employees	1,844	62,219	2.96	54.65
	10–49 employees	1,191	11,792	10.10	35.30
	50–99 employees	196	1,454	13.48	5.81
	100–249 employees	143	756	18.92	4.24
Total		3,374	76,221	4.43	100.00
Northern Ireland	1–9 employees	230	22,377	1.03	31.12
	10–49 employees	351	4,387	8.00	47.50
	50–99 employees	97	565	17.17	13.13
	100–249 employees	61	286	21.33	8.25
Total		739	27,615	2.68	100.00
UK	1–9 employees	32,063	1,068,860	3.00	62.95
	10–49 employees	15,578	163,549	9.52	30.58
	50–99 employees	1,407	20,792	6.77	2.76
	100–249 employees	1,886	10,572	17.84	3.70
Total		50,934	1,263,773	4.03	100.00

Source: ONS Business Structure Database.

4.4. Age

The age distribution of Productivity Heroes is less concentrated than the size distribution. However, in Wales, the highest concentration of Productivity Heroes (PHs) is observed among young to mid-aged firms. Nearly 57% of PHs fall within the 3–9 year age range, with the 5–9 year band alone accounting for 33.8%, making it the largest single age group. This suggests that the Welsh business environment is particularly conducive to fostering high productivity during the early stages of a firm's lifecycle. Firms aged 10–19 years also represent a significant portion (26.5%), while those aged 20+ years make up a smaller share (16.7%), slightly above the UK average of 12.2%. This pattern reflects a strong pipeline of relatively young high productivity firms in Wales, with more than 10% of young firms (3-9 year age) reaching the cohort of Productivity Hero firms.

A similar trend is observed in Scotland, where the majority of PHs are also in the 3–9 year range, and firms aged 20+ make up 16.51%, almost identical to Wales. However, Northern Ireland stands out: nearly half (47%) of its Productivity Heroes are from the 20+ age group, indicating a markedly older PH base.

Across the UK as a whole, the dominant PH group is 5–9 years old (36.76%), followed by 10–19 years (25.36%), with firms aged 20+ comprising only 12.2%. This supports the idea that younger SMEs are a major driver of productivity across the UK, with Wales following this trend closely but maintaining a slightly higher representation of older PHs than the UK average.

Table 7 - *Age Distribution of Productivity Heroes in UK Nations – 2024-25*

Region/Country	Age band	Productivity Heroes (PH)	SMEs aged 3+ years	PH as % of SMEs	PH as % of total PH
Wales	age 3–4	399	6,591	6.05	23.04
	age 5–9	585	12,171	4.81	33.78
	age 10–19	458	12,311	3.72	26.44
	age 20+	290	11,199	2.59	16.74
Total		1,732	42,272	4.10	100.00
Scotland	age 3–4	749	12,100	6.19	22.20
	age 5–9	1,183	22,398	5.28	35.06
	age 10–19	885	22,109	4.00	26.23
	age 20+	557	19,614	2.84	16.51
Total		3,374	76,221	4.43	100.00
Northern Ireland	age 3–4	109	4,260	2.56	14.75
	age 5–9	142	8,079	1.76	19.22
	age 10–19	141	6,577	2.14	19.08
	age 20+	347	8,699	3.99	46.96
Total		739	27,615	2.68	100.00
UK	age 3–4	13,086	219,505	5.96	25.69
	age 5–9	18,724	402,923	4.65	36.76
	age 10–19	12,917	364,905	3.54	25.36
	age 20+	6,207	276,440	2.25	12.19
Total		50,934	1,263,773	4.03	100.00

Source: ONS Business Structure Database.

Productivity Heroes – lifting the lid

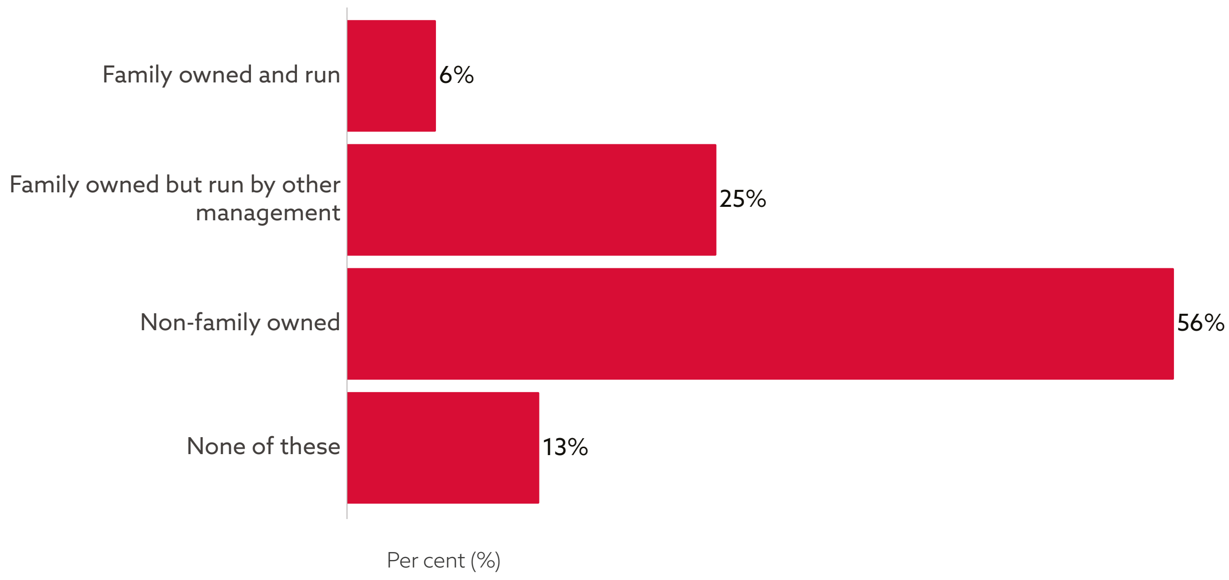
5.1. Introduction

In order to understand the concept of a 'Productivity Hero' it is necessary to talk to them and explore what makes them stand out from the vast majority of firms in the private sector. A short online survey was developed to capture some basic information on their business strategies and their future plans with the additional objective of asking them to participate in a more detailed interview with our researchers. We present the indicative results of the online survey below as well as a summary of the major findings from the qualitative interviews.

5.2. Online survey

A list of 339 businesses in Wales that fell within the definition of a Productivity Hero in the 2024-25 financial year was obtained from Growth Flag. Contact names of senior management were provided (i.e., named Directors and/or Managing Directors) along with telephone numbers and emails but in over half the cases they were generic emails - e.g., 'info@.....'. The overall response rate to the online survey was 5% - 16 complete responses despite 5 invitations to take part and emphasising that the research was critical to the Welsh economy and was funded by the Development Bank of Wales. As a result, these findings should be treated as indicative rather than representative of the PH population in Wales.

Figure 10 - ***Productivity Heroes: Ownership***



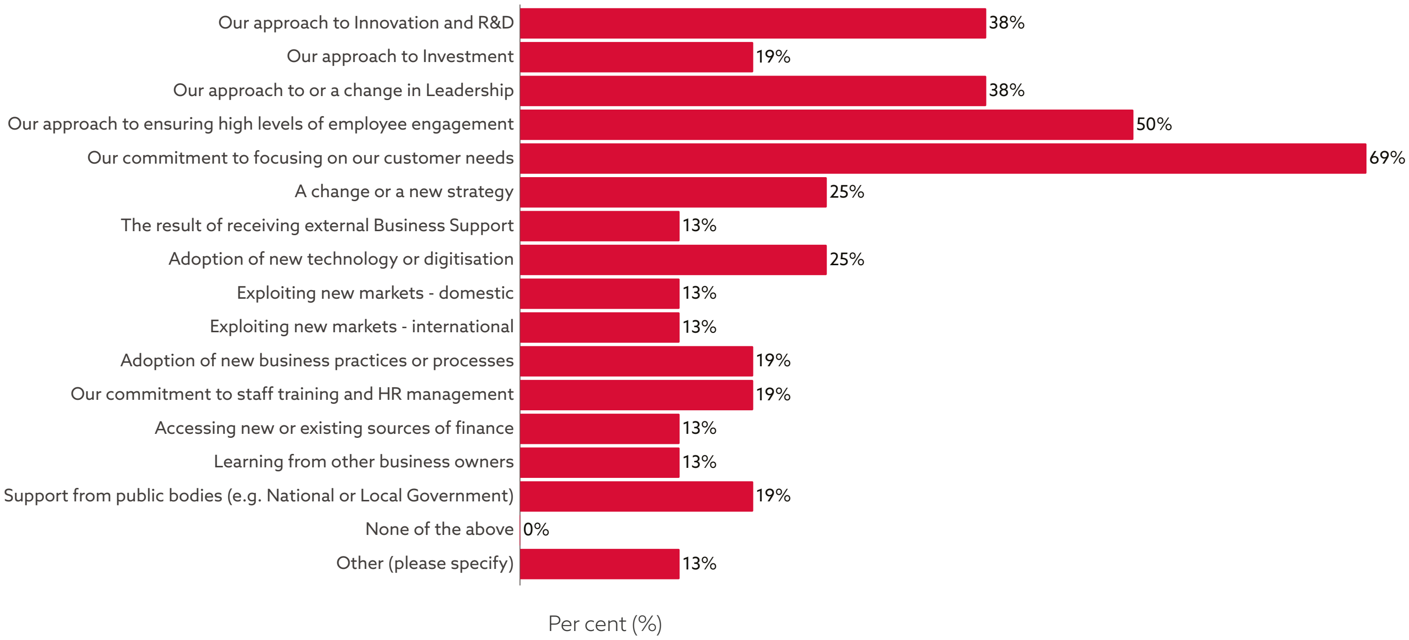
Source: ERC Productivity Heroes Survey (2025/26).

Figure 10 illustrates that there is a mix of ownership for these Productivity Heroes between family-owned and non-family owned with a further two recording that they were an employee-owned trust.

Probing on what characteristics Productivity Heroes display in terms of business strategy; there is no one approach but rather a mix of business development options (Figure 11). Three things stand out that can be summarized as follows and reflect the desire to embed high performance into the business:

- the importance of a customer-centric focus;
- employee engagement/staff training;
- innovation, adoption of new technology/ digitalisation leading to new business practices and processes.

Figure 11 - *Productivity Heroes: Strategic Focus*



Source: ERC Productivity Heroes Survey (2025/26).

Figure 12 shows that in all but one case staff training is the common denominator of what this group of businesses has focused on in the last 12 months. In addition, investment in leadership & management training and innovation are also important. Some quotes from the online respondents about their plans for the next 12 months further illustrate this emphasis:

"Further investment in our people—through upskilling, leadership development, and change management training—will be essential. We will also continue to invest in lean business practices across both shop-floor operations and transactional processes."

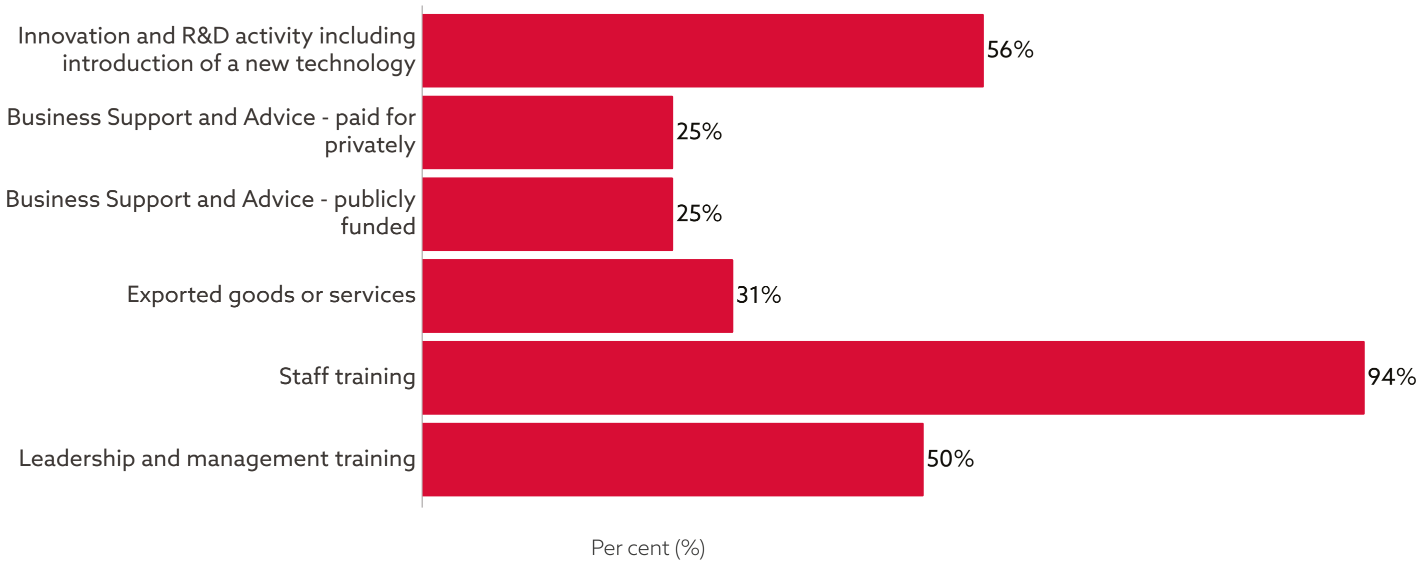
"We continually invest in quality assurance and improvement activity as part of evidencing the social value and efficacy of our services (we are funded by local authorities, so almost all 'custom' comes from being a preferred supplier)."

"Yes, we will continue to invest in our platform (people, systems and processes) to scale our business".

Productivity was mentioned explicitly a number of times as businesses explained their strategic objectives in their chosen sectors as illustrated by this quote:

"We continue to grow revenue whilst also improving productivity".

Figure 12 - *Productivity Heroes: Business Development Activity – last 12 months*



Source: ERC Productivity Heroes Survey (2025/26).

A question in the online survey asked these Productivity Heroes to share their thoughts on what made them stand out from their counterparts in terms of productivity growth measured by turnover per employee. The following statements are noteworthy:

"The key difference in our approach has been recognising the direct connection between the top line and the bottom line. It is possible to grow revenue simply by adding more resources and increasing output—however, when output rises without addressing efficiency there are immediate negative effects on the bottom line".

"Don't stand still, make the changes and take the risks. Invest in your people and you will reap the rewards".

"Focus on quality, on time delivery and customer satisfaction".

"Focus on performance not outcomes".

Finally, given the critical role these Productivity Heroes play in the Welsh economy they were asked to indicate what they needed to consolidate their position and undertake future growth. All reported that the NIC and minimum wage increases had been unhelpful and created additional burdens on employers and as a result they asked Government to create more stable tax and regulatory regimes. Changes to national insurance have had a massive impact on these businesses and resulted in a change to where future investments can be made.

Another request was to develop more structured support and incentives to encourage and recruit local talent in Wales, arguing that, while they engage in staff training themselves for strategic reasons, more broader labour market interventions to deliver an educated, literate and motivated workforce would reduce the amount of training that they need to do.

5.3. Qualitative Interviews

Overall, five CEOs and senior managers agreed to be interviewed after they had completed the online survey, and these interviews are summarised below.

Company A:

Interview with CEO

Company A is a provider of specialist care for children which has been running for 20 years. It provides niche services for Local Authorities who have not got the capacity to provide such services in house. Previously run by an owner manager there was a Management Buy-Out (MBO) in 2017. Earlier in 2026 the organisation converted to an Employee Ownership Trust (EOT). This was the culmination of a persistent and continued focus on employee engagement but was also a way to protect the legacy of the business now and in the future. Many smaller providers have been taken over by VC-backed large providers, and the organization has a passion for what they deliver and want to maintain standards and high-quality care for their children in care. They also have IIP Gold status and conduct an annual employee survey.

The current CEO brought a focus on strategic thinking and re-structured roles and processes in order to achieve better outcomes for their funders and care receivers. He ensures there is a strong staff voice, transparent management and set a clear direction. He has a strong commitment to personal development, having balanced his career with completing both an MBA and a PhD and then bringing this learning into how he runs the business today.

Productivity

Rather than focus on normal metrics such as employment or turnover their success is down to several more intangible factors. They focus on being expert providers of care, being technical experts and driven by the evidence base as it evolves. This, they believe, ensures the best outcomes for their children and ultimately for the Local Authorities who fund them. By providing a high-quality service they believed that is the best way of them expanding their provision and taking on new business. It is very much a value driven approach (rather than minimising cost).

They also believe in a lean management structure. Partly so that management are close to the business and understand its operation. But they feel this structure probably limits their capacity to expand. They have 2 sites currently (previously only had one) but have no current plans to add a third.

Business Support

There was little take-up of formal support. The CEO has taken on lots of personal development but as a firm their support mechanisms were mainly through sector-specific networks. Some technical advice was sought when converting to an EOT.

Success Factors

In addition to the factors already mentioned – strong management and leadership and employee engagement, they also benefitted from rising demand for their services. However, this was in part due to them recognising trends and for niche and specialist services growing and adapting their business to meet this demand. Their focus on high quality provision was also a point of difference from the competition. Particularly being technical experts grounded in the latest evidence.

Future and next steps

They have capacity to expand (up to 25%) but no plans to add a 3rd site. Other expansion could include provision of assessment services but also follow-on care from leaving residential care. The latter they would undertake with strategic partnership with other care providers. They also want to develop further succession planning for the current CEO and perhaps bring on new roles (e.g., a deputy MD) to build up management and leadership capacity from within.

Other help

Much of this was sector specific but involved more skills and knowledge from procurers of their services (LA's) to understand what works well and recognise good provision from poor.

Also, more enlightened media and public narrative about private sector organisations delivering public sector outcomes e.g. care provision.

There was a lack of planning for the workforce or what had been done was not fit for purpose. They were an above average payer, but the low pay was an issue in attracting the right staff.

Company B:

Interview with CEO

Company B has been running for 23 years. Founded by two couriers they've grown organically by expanding operations and taking over premises when competitors went out of business. They expanded into other sectors (pallets and haulage etc) and also set up an international division. In the last 2 years they have split the firm into different departments with different cost centres to be able to track progress and compare performance more easily. This also enabled greater opportunity to develop people – something that they have actively pursued. They are strong believers in giving people opportunity and ownership which coupled with accountability and autonomy led to growth and improved performance.

This theme of employee engagement runs wider and was now a central tenet running through the business. The current CEO had started in HR and then embarked on a continuous development journey with qualifications through CIPD and CMI. Through this she learnt the importance of transparency and communication especially when engineering change in order to gain really effective buy in from the workforce.

On the issue of productivity, Company B don't explicitly measure this partly because they had always been profitable. But they felt the need for more measures of performance given recent pressures (NI and other cost increases) and a tough trading environment. They also have a general approach of employing fewer people on higher wages and getting more out of them.

In terms of the future, they would like more autonomy on being able to run their own business without interference – i.e. less regulation, tax, minimum wage rises etc. They also felt themselves having to pause with high degrees of uncertainty in advance of the Budget and other Government decisions (both UK and Welsh Governments).

They had undertaken some business support (from Business Wales) with a Digital Review and a Carbon Reduction Plan (although this required a lot of information to complete it). The CEO had also been involved in a mentoring programme and spoke very highly of its impact on her.

In summary, this business has been on a journey of mainly organic growth (taking advantage of opportunities on the way as they presented themselves). In more recent times the forward-thinking approach of the CEO has proved highly successful with a focus on transparency, communication and overall employee engagement.

Company C:

Interview with CEO

Background

Company C is a provider of certification services for vetting tradespeople and others who need to access sites. They provide the necessary Health & Safety credentials, insurance etc to enable the contractor to carry out any work required. Their "SafeContractor" subscription-based service is paid for mainly by the contractor or tradesperson. They also offer other services, for example, provide HR services and H&S services but have scaled back and rationalised their offer in recent years. Their focus has been on cutting back non-recurrent income streams (SafeContractor has about a 90% renewal rate every year). This was also in part in keeping with their focus on generating value. The CEO was previously CFO and upon joining was keen to find business models that work for their clients, generate value and can be monetised.

Success factors

As stated above there is a strong sense of focusing on creating value and generating income from that, especially with a strong degree of repeat business. Productivity isn't discussed explicitly but there is a clear commitment to build value. They are also Private Equity backed so under pressure to grow continually (currently 20% per year). They also feel that they benefitted by not facing huge levels of competition – they are the biggest player in the market for what they provide.

They spend heavily on technology as there is a lot of data flowing between contractors, clients and themselves. But they have resisted large scale technology transformations as some competitors have done with limited success. The CEO also believes strongly in treating people decently, treating them with respect and building a strong culture. This was something that the previous CEO was committed to (spent above industry average on HR), so employee engagement is a key factor too.

Future

More expansion is the focus as they feel there is scope for growth in lots of global markets that are not as well established yet for the services they provide but will come on stream eventually. They also think there are existing markets they can better exploit e.g. tracking carbon in supply chains to meet sustainability goals of clients.

He would also like to find ways to reduce staff attrition which is a big issue for productivity. They have a subsidiary in the US where it is lower, and he would like for their UK operation to be similar. He wondered how much this was due to US employees generally having equity in their companies.

Company D:

Interview with MD

Background

The MD started by outlining briefly his own career and the steps that had led him to joining the company in May 2022. He took 100 days to understand the business which was a loss-making division at the time. He took the radical step of implementing a pay rise of 25% across the workforce to restore competitiveness and attract and retain staff. In addition to the pay rises, the MD implemented a series of reforms including decentralising decision making and empowering staff, revised business processes and staff training particularly in change management. The outcomes have been dramatic with an immediate return to profit, a quadrupling of turnover by 2025 and a move to a much larger premises.

Productivity

The MD set out his approach to engaging his workforce in productivity in order to get their buy-in. He places great store in effectively communicating and being transparent with staff. So, when introducing new business processes or other changes to increase productivity he makes sure he and his management team put it into terms that would resonate with the workforce. For example, this will enable future pay rises, private healthcare or other investment in facilities.

Success factors

Along with those internal factors already mentioned such as effective communication and transparency, the MD also mentioned the importance of setting a 5-year strategy which gives vision and direction to the organisation. They are also committed to training and development with a training budget (2% of turnover) now installed.

He also noted the influence of external factors that have contributed to their success. Road investments made it possible to move to much larger premises and increased their access to a wider local talent pool.

Barriers

Concerns were raised regarding the cost of doing business in the UK. More time was spent though in raising issues around barriers to finding skilled staff. The current curriculum is not providing enough people, particularly young people, with the right skills for local industry. The MD also felt that there wasn't enough emphasis on manufacturing and previous lessons from Covid and conflicts around ensuring resilience in supply chains are not being learnt.

Exports

Exports make up around 20% of turnover, mainly to Hungary and Italy. They see huge potential in Canada with the growth of SMR and nuclear power. The US has proved difficult with regulation issues, so they have acquired a site to cement their presence in that region.

Other support

They had received little support. Training was almost exclusively self-funded and previous attempts at innovation grants were not successful.

Future

In terms of the future more expansion is on the cards with an extension to their current facility being planned. But concerns were again raised about the local infrastructure and whether the transport network would facilitate that. He pointed that when international partners visit the poor infrastructure gives exactly the wrong impression and is a disincentive to investing in Wales and the UK more widely.

Company E:

Interview with CEO

Background

The CEO gave an overview of the history of the company which dates back to the 1980's when British Airways set up its engine maintenance operation in South Wales. The subsequent growth in the supply chain and ancillary industries led to the formation of the company in 2010. The business revolves around engine maintenance but has since expanded into airframe parts culminating in rapid expansion particularly since 2021.

Productivity

Since 2021 turnover has more than tripled with employment doubling. Profit has gone from £8 million to more than £70m. This was an explicit strategy that the CEO was charged with upon joining the business. Ownership has also played a part here as the business is owned by Private Equity which has high expectations for growth and performance.

Success Factors

The CEO explained that he puts their success down to 3 key factors. Firstly, Trust. The nature of their industry means that building trusting relationships is critical. Dealing with suppliers and customers often involves long and complex negotiations where reputation and track record often outweigh other factors.

Second is their approach to systems. The business is complex and has a range of technical functions along with operations, legal, finance etc and bringing all these together into one aligned system has been crucial. Overcoming bottlenecks within their processes has been a particular focus to improve outcomes and efficiency.

Thirdly, a strong commitment to continuous improvement. Prior to the new CEO's arrival there was little emphasis on learning and development or leadership training. He has changed this and brought in an ambitious culture hungry for change.

The CEO also advised that there was some external context to their recent performance. The aviation industry has been experiencing a shortfall in new aircraft which has meant a greater use of older aircraft. This in turn has led to an increase in demand for reconditioned parts and maintenance from which the company has benefitted.

Barriers

Current regulations and the debate around Net Zero continues to prove challenging. Whilst the CEO and the Aviation industry more generally can agree for the need to these societal changes, he feels there needs to be a more mature debate and acknowledgement of the trade-offs. For example, the switch to newer more efficient planes would be a benefit and lower emissions. But if this means that the life cycle of existing planes is dramatically reduced this could have potentially unforeseen financial implications given how these planes will have been funded.

5.3. Summary

Online Survey Findings

Key indicative insights from this group include:

- **Strategic Focus:** These firms prioritize three main pillars to embed high performance: a **customer-centric focus, employee engagement/staff training,** and **innovation** through the adoption of new technology and digitalisation.
- **Investment in People:** Staff training emerged as a near-universal priority, with a specific emphasis on upskilling, leadership development, and change management.
- **Efficiency vs. Resource Growth:** Business leaders noted that productivity stems from efficiency rather than simply adding more resources; growing revenue without addressing efficiency can negatively impact the bottom line.
- **Policy Concerns:** Respondents identified recent **National Insurance Contributions (NICs) and minimum wage increases** as significant burdens. They called for more stable tax regimes and broader government intervention to improve the local labour market's skill levels, which would reduce the training burden on individual firms.

Qualitative Interview Insights

Five detailed interviews with CEOs and senior managers provided a deeper look into the success factors of Productivity Hero firms:

- **Employee Engagement and Ownership:** Several firms emphasized strong company culture and transparent management. For example, **Company A** converted to an Employee Ownership Trust (EOT) to protect its legacy and enhance engagement, while **Company B** focused on giving staff autonomy and accountability to drive performance.
- **Strategic Leadership and Transformation:** Successful firms often featured leaders who brought specialized training (such as MBAs or professional qualifications) to restructure roles and business processes. **Company C** saw a dramatic turnaround after decentralising decision-making and implementing a 25% pay rise to attract talent.
- **Technical Expertise and Value Creation:** Many PHs differentiate themselves by being "technical experts" in niche markets. **Company D** focuses on high-value, recurring certification services with minimal competition, while **Company E** relies on building long-term trust and reputation in the complex aviation engine maintenance industry.
- **Operational Systems:** Overcoming process bottlenecks through aligned technical and operational systems was highlighted as a critical driver for efficiency.

Barriers to Future Growth

Despite their success, these firms face significant external challenges:

- **Infrastructure:** Deficiencies in the local **transport network** are viewed as a disincentive for international investment and a barrier to facility expansion.
- **Skills Gap:** There is a perceived disconnect between the educational curriculum and the practical needs of local industries, particularly in manufacturing.
- **Regulatory Uncertainty:** Leaders expressed concerns regarding the cost of doing business in the UK and the financial trade-offs required by Net Zero regulations.

Summary

This study examines the role of Productivity Heroes (PHs) - SMEs aged three years or more that simultaneously grow both revenue and employment, with revenue growing at a faster rate - in Wales, with comparative insights across other UK regions and nations especially with Scotland and Northern Ireland.

In 2024-25, Wales had 1,732 Productivity Heroes, representing 4.1% of SMEs aged three years and over. Although this is lower than the exceptional peak recorded in 2022-23, the latest cohort generated £6.04 billion in turnover, created over 5,200 jobs and achieved a 24% increase in labour productivity, suggesting a smaller but increasingly productive group of firms. For Wales, where productivity has consistently lagged behind the UK average, Productivity Heroes are particularly significant because they represent firms capable of delivering productivity gains alongside employment growth.

Firm characteristics remain relatively stable: micro firms (1–9 employees) continue to dominate, accounting for 58% of the cohort, though this is slightly lower than the UK average of 63%. The highest productivity impact remains among medium-sized firms (100–249 employees), which exhibit the highest PH density in Wales at 16.7%. From an age perspective, 57% of PHs are between 3–9 years old, reinforcing the finding that young to mid-aged firms are the primary drivers of productivity gains in the Welsh business environment.

Sectorally, Business Services (33.55%) and Wholesale/Retail (17.03%) remain the largest sectors, though both have seen growth in their overall share since 2022. Wales maintains a notably higher share of manufacturing PHs (7.9%) than the UK average (7.1%), even though this share has gradually declined from over 10% in previous years. Geographically, the distribution remains consistent: West Wales and The Valleys account for 55% of all PHs 10, 12. Urban hubs continue to lead, with Cardiff and Vale of Glamorgan, Central Valleys, and Monmouthshire/Newport ranking as the top-performing regions in 2024–25. However, the overall share of PHs in productivity growth has continued to decline since 2020–21, underscoring the report's conclusion that targeted, place-based support is necessary to address structural barriers like skills shortages and infrastructure deficiencies.

Against the backdrop of previous studies pointing to a weak correlation between job growth, turnover and productivity, Wales has traditionally lagged behind the UK average (Jones, 2025).

For Wales, Productivity Heroes are particularly significant because they represent firms capable of delivering productivity gains alongside employment growth, helping to address one of the country's most persistent economic challenges.

Successful leaders attribute their growth to a **customer-centric focus**, deep **employee engagement** through staff training and transparent management, and the **adoption of new technologies** to drive efficiency.

Although the number of Productivity Heroes has fallen since the 2022-23 peak, the wider evidence suggests that productivity growth is increasingly being achieved without corresponding employment growth, making Productivity Heroes an especially important subset of firms. **Understanding the barriers faced by these firms is therefore critical if Wales is to increase the number of businesses capable of delivering productivity growth alongside employment growth.**

Business leaders identified several critical barriers to sustaining and expanding productivity gains:

- **Regulatory and Fiscal Pressure:** Increases in **National Insurance Contributions (NICs)** and the minimum wage are cited as significant burdens that divert investment.
- **Structural Deficiencies:** A lack of **skilled local talent** and **poor transport infrastructure** act as disincentives for expansion and international investment.

To address the uneven productivity gains in Wales and to support this unique group of PHs, business support in Wales must evolve toward a more **targeted, place-based, and strategic model.** While the share of Productivity Heroes within the wider population of productivity growth firms has declined since 2022-23, they continue to make a disproportionately important contribution to turnover, productivity and employment growth. The following areas highlight the potential role of business support and finance in Wales:

1. Strategic Skills and Leadership Development

PHs identify **employee engagement and staff training** as their primary strategic focus, yet they often self-fund this training or find national curricula disconnected from industry needs. There is a clear demand for **structured incentives to recruit local talent** and broader labour market interventions to reduce the individual training burden on firms. Qualitative evidence shows that leadership training (like MBAs or mentoring programs) is a major driver of success. Business support should prioritize **mentoring and leadership development** to help MDs restructure roles and processes for higher efficiency.

2. Targeted Financial Instruments for Productivity, Innovation and Business Transition

While some Welsh PHs are Private Equity-backed, many rely on organic growth and have found traditional innovation support difficult to access. Support should increasingly focus on **productivity-enhancing investment**, including lean business practices, digital adoption, automation, systems integration and operational improvement that raise productivity rather than simply expanding headcount.

There is also a need for greater support for **leadership succession and business transition planning**, recognising the importance of management capability in sustaining productivity growth. The evidence suggests that ownership and leadership models can play an important role in long-term business performance, including **Employee Ownership Trust (EOT)** transitions, which can support succession planning, strengthen employee engagement and protect business legacy. Financial and advisory support should therefore extend beyond innovation projects to help firms invest in the leadership, ownership and operational changes associated with sustained productivity growth.

3. Specialized Digital and Sustainability Support

Some PHs have utilised **Business Wales** for digital reviews and carbon reduction plans, which does require a large amount of input from the client to assess their carbon usage, (full analysis of waste, energy consumption, supply chains, travel miles and the like). Finance and support agencies should focus on streamlining these reviews while providing the capital necessary to implement **high-value technical systems** that align technical and operational functions. It is clear that the knowledge and understanding developed by the client through this process ultimately produces benefits for the business.

4. Place-Based and Infrastructure Policy

The analysis of the secondary data from the ONS highlights a significant **intra-regional productivity gap**, with urban hubs like **Swansea, Cardiff, and Newport** leading, while regions like **Gwynedd and Powys** lag. Business leaders explicitly cite **poor transport networks** as a disincentive for international investment and a barrier to facility expansion. Effective business support must be paired with **place-based infrastructure improvements** to ensure that firms in "low-productivity zones" can access wider talent pools.

5. Regulatory Stability

PHs reported that recent **increases in National Insurance (NIC) and the minimum wage** have created additional burdens, impacting where they choose to make future investments. Business support agencies have a role to play in ensuring that all fast-growing firms, including PHs, have the necessary support to plan long-term despite the uncertainty over UK tax and regulatory frameworks.

In summary, for Wales to bridge its productivity gap, business support and finance must transition from broad-brush assistance to **targeted interventions** that support the high-value, lean, and employee-centric models characteristic of Productivity Heroes.

Future Research Questions

Based on the findings in this report several future research questions emerge to address the uneven nature of firm-level productivity gains and the lagging nature of productivity in Wales compared to the rest of the UK and especially the other two Devolved Nations. These are organised into four broad groups:

- **Sustainability and Evolution:** To what extent is "Productivity Hero" status a temporary artifact of economic cycles versus a **structural shift in efficiency**, and how do these firms perform over a **10-year horizon** compared to traditional growth models?
- **Firm-Level Strategy:** What specific **lean or digital processes** enable revenue growth without increasing resource costs, and how do **ownership models** (like EOTs) or **specialized CEO training** (MBAs/PhDs) directly drive these productivity gains?
- **Place-Based Policy:** What targeted interventions can elevate **low-productivity zones** (e.g., Gwynedd, Powys) to urban performance levels, and how do **infrastructure quality** and shifting sectoral trends impact regional inclusive growth?
- **Macro-Policy and Regulation:** How do **fiscal changes** (NIC and minimum wage increases), the **education-industry skills gap**, and **Net Zero regulations** specifically alter the investment horizons and financial viability of high-performing Welsh firms?

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