

Medium-sized businesses and Welsh business structure

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Optimal business structure

There is **no optimal** business structure for an economy and **heterogeneity** is an **important and healthy** feature of a regional economy.

Firm characteristics and dynamism

The characteristics of firms of different sizes within an economy are **important**, as is the dynamism of **movements** within and between size classes, and of new firm starts and exits.



Size distribution

Business growth, and the factors that effect growth, link through to the **size distribution** of firms within an economy.

Definitions

Definitions of **dividing lines** between micro, small, medium and large firms are **heavily contested**.

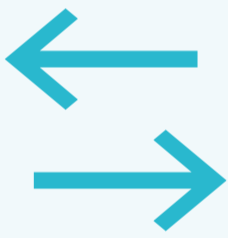


Importance of medium-sized firms

Medium-sized firms are an **important component** of the contemporary regional economy.

Comparison to UK/other regions

In terms of medium-sized firm share of business count, employment and output, **Wales performs relatively well** compared to the UK as a whole.



International comparison - firms

The **UK lags** its counterparts in several EU countries in terms of **medium-sized firms'** share in enterprise count, employment, and turnover.

International comparison - strength of economies

Countries with proportionately more medium-sized firms are **both relatively stronger and weaker** economies, thus providing little guide to an optimal firm size distribution in an EU context.

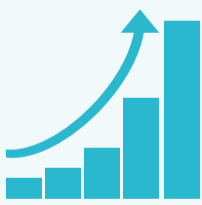


Characteristics

Medium-sized firms are much more likely to be characterised by **higher productivity** than their small or micro firm counterparts across the UK and in Wales.

Productivity variations

While productivity varies by employment size class, there is also variation in the **same industry** within the **same size class**.

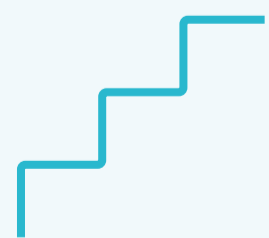


Growth

Growth in the number and share of companies across the medium-sized bands in Wales has been **relatively weak** compared to growth in other size classes.

Factors influencing business evolution

Explanations for low rates of business evolution relate to a complex mix of factors, which are both **internal and external** to each firm and industry.



Policy implications

In the contemporary Welsh economy, it is important for interventions to **encourage productivity growth** and **innovation** irrespective of firm size.