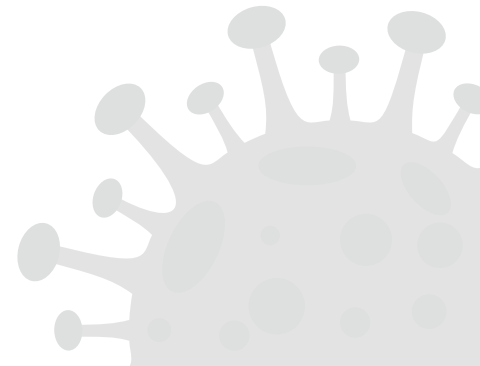


# Challenges of the German Mittelstand during the corona pandemic

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## Special edition of the future panel SMEs 2020

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## Preface

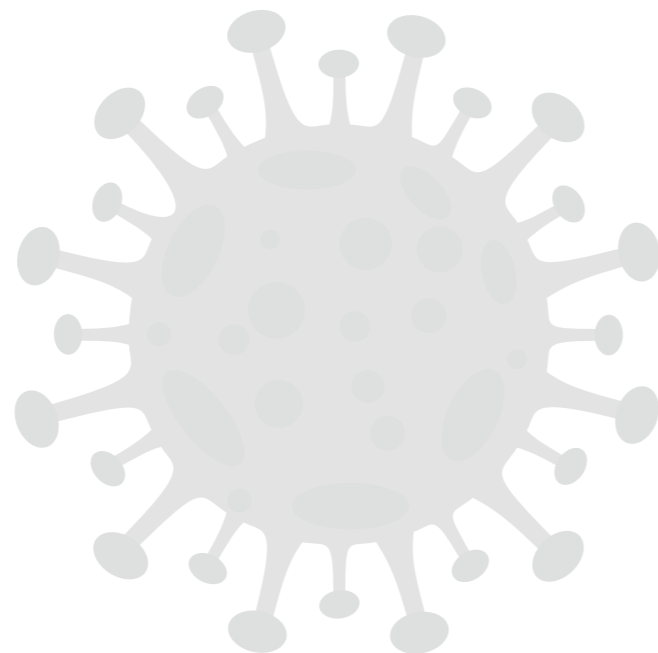
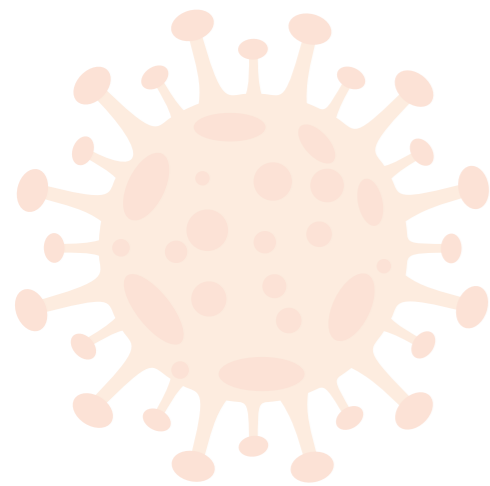
The coronavirus pandemic, which suddenly changed the everyday life of many companies at the beginning of March 2020, is not a “normal” entrepreneurial crisis. As an exogenous shock and systemic crisis, it affects all economies and societies worldwide with a time lag. Moreover: as long as there is no vaccine against the virus, no country is immune to a return of the virus. The associated uncertainty poses enormous challenges for Mittelstand enterprises.

For the “Future Panel for small and medium-sized Enterprises (SMEs)”, we surveyed representatives from business, science and economic policy at various intervals during the acute crisis phase on the greatest challenges facing SMEs. The results show: SMEs have largely adjusted themselves to the “new normality” as a result of the corona crisis. You can read more on the following pages.



Prof. Dr. Friederike Welter  
President of the IfM Bonn,  
Chair at the University of Siegen

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## About the study

The coronavirus pandemic and the measures associated with it pose particular challenges for German SMEs. The IfM Bonn has examined these challenges within the framework of a special edition of the survey “Zukunftspanel Mittelstand”. They are presented in the following.<sup>1</sup>

The “Zukunftspanel Mittelstand” takes place for the third time after 2014 and 2017. The panel aims to identify practical and economic policy issues and future trends for SME policy and research.

To this end, experts from the fields of economic policy, science and business were surveyed online between March and June 2020.<sup>2</sup>

A total of 135 experts (32.6 % economic policy, 37.8 % science, 29.6 % representatives of business associations) pointed out 37 topics as challenges during the corona pandemic and assessed their significance and relevance for SMEs.<sup>3</sup>

We would like to thank all experts for their participation in the survey.

<sup>1</sup> The answers were weighted according to the inverse of the number of cases in the sample.

<sup>2</sup> A detailed time schedule of the online surveys can be found in Appendix A of the Annex.

<sup>3</sup> The more often a topic is identified as challenging the more important it is. Correspondingly higher it is then placed in the topic ranking. An overview of all topics mentioned is provided in Appendix B in the Annex.

## Securing liquidity as the top priority

As a result of the operational restrictions made necessary due to the containment of the corona pandemic, the biggest challenge in the day-to-day business of SMEs is to secure liquidity. At the same time, they are endeavouring to maintain business operations.

According to our experts, companies have made their business models more flexible "in response" to temporary plant closures, hygiene regulations or cautious customers.

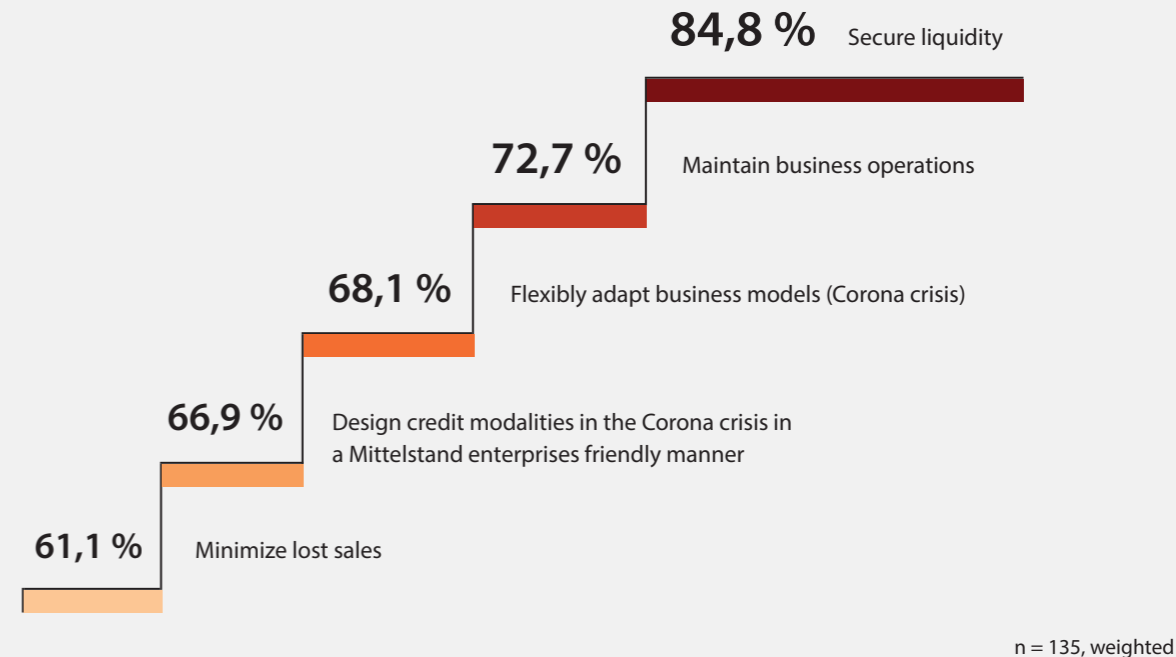
In order to counter the effects of the corona pandemic, corporate measures were not limited to operational production and business processes.

Rather, decisions also had to be made regarding their financing and investment behaviour: As a result, the attention shifted more and more towards corporate financing and the demand for loans rose sharply.

From the experts' point of view, the key factor in coping with the corona pandemic will now be the extent to which the credit modalities can be made SME-friendly.

## Corona topics in the overview

Necessary immediate measures of the companies



Source: IfM Bonn 2020, own figure, values weighted.

Illustration 1

## Despite the crisis – companies keep their employees

Despite strongly decreasing orders and production facilities shut down, many companies tried to retain their employees and tie them to the company. The opportunity to apply for short-time work helped them to do so.

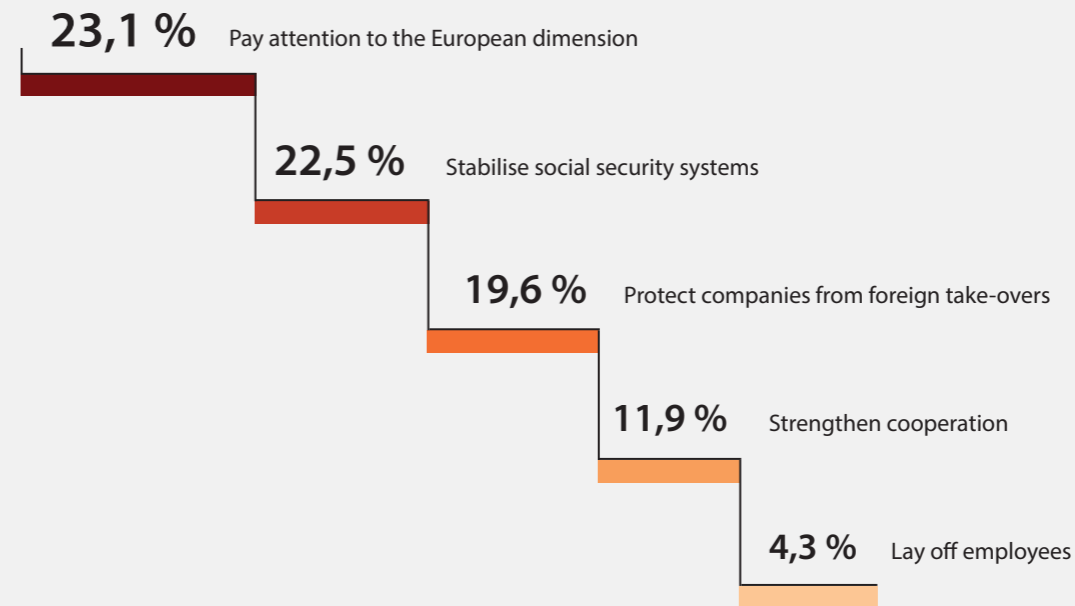
Accordingly, politics, science and business associations consider dismissals for operational reasons due to the corona pandemic as not very relevant. It can be assumed that this is due to the shortage of skilled employees, which before the corona pandemic was considered a major future challenge for many companies.

The experts also assume that, once the economy is up and running again, companies want to ensure that they are immediately fully operational and ready to work with sufficient employees. Cross-company cooperation is not an option for coping with the corona pandemic either.

In the experts' view, there is no danger that financially weakened companies could now be targeted by international investors and taken over by them.

## Corona topics in the overview

What currently is hardly relevant for the companies



n = 135, weighted

Source: IfM Bonn 2020, own figure, values weighted.

Illustration 2

## Economic policy-makers recognize responsibility

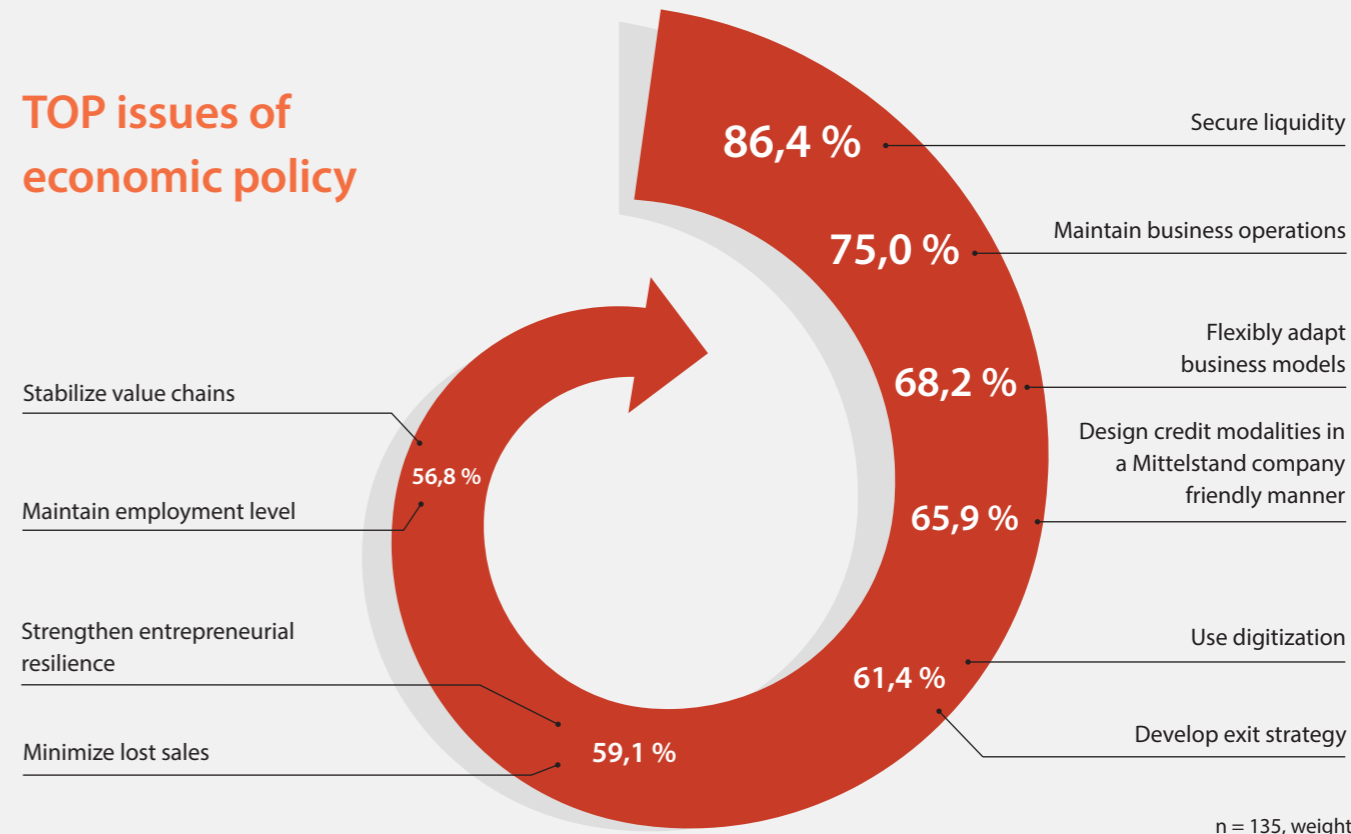
A look at the top issues of the economic policy experts shows that everything currently revolves around the liquidity of companies. The German economy was shut down within a very short time, so that many companies were no longer able to generate sales. However, liquid funds are indispensable for paying wages and salaries and meeting other payment obligations. Accordingly, those companies that had to close completely during the corona pandemic and had no liquidity reserves are hit particularly hard.

However, the results also illustrate the sense of responsibility of economic policy to support small and medium-sized enterprises in coping with the corona crisis. From the area of economic policy responsibility, there are

three topics that do not appear in the overall ranking of the top topics: the development of an exit strategy, the stabilisation of value chains and the maintenance of employment levels.

With regard to employment, economic policy makers are considering concrete solutions to prevent dismissals (e.g. short-time work compensation). Overall, the experts focus on retention of employees as a challenge for SMEs.

## TOP issues of economic policy



Source: IfM Bonn 2020, own figure, values weighted.

Illustration 3

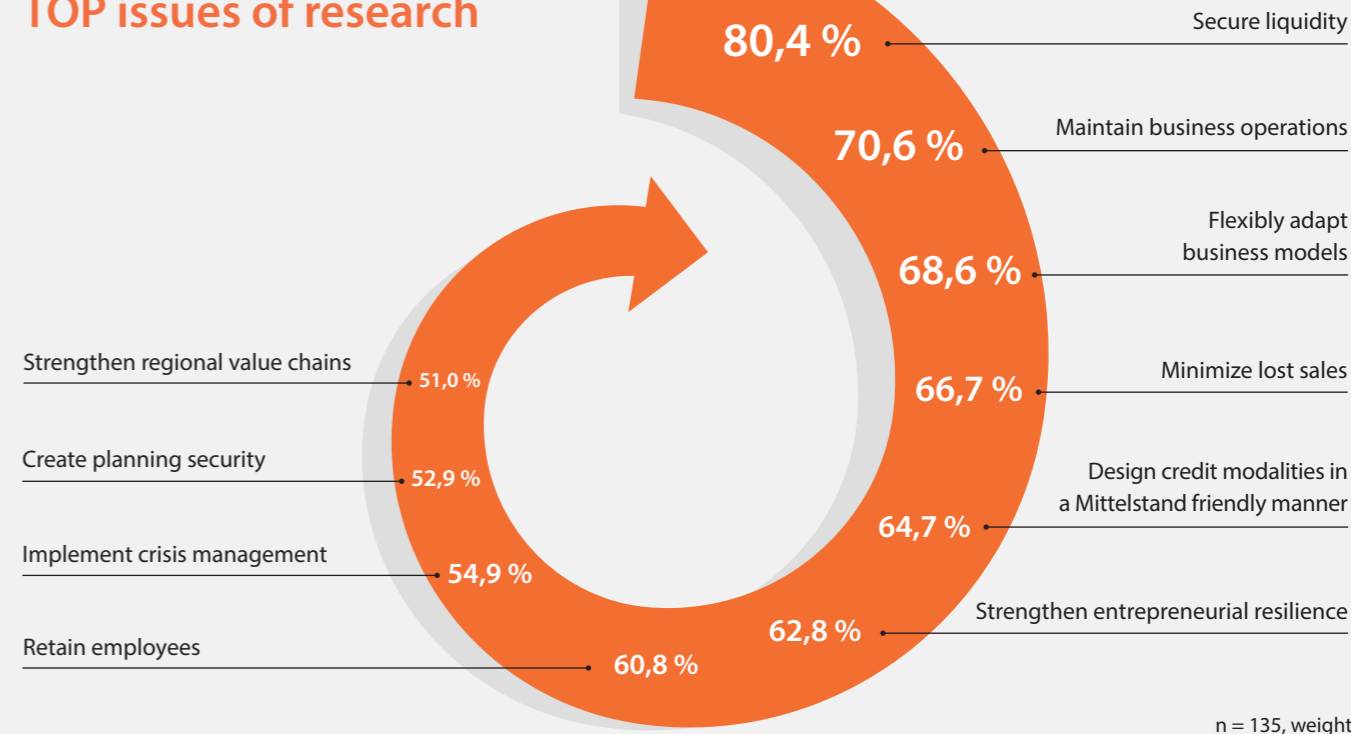
## Research community considers crisis management more important than digitisation strategies

Researchers assess the challenge posed by the corona pandemic similarly as economic policymakers. However, they are the only group that points to the importance of crisis management in SMEs and of preparing for it (strengthening entrepreneurial resilience).

However the use of digital strategies to cope with the corona crisis is not one of the top challenges facing medium-sized companies in the coronavirus pandemic.

The researchers assume that companies are already well-equipped with new technologies so that their employees can work digitally without any problems.

### TOP issues of research



Source: IfM Bonn 2020, own figure, values weighted.

Illustration 4



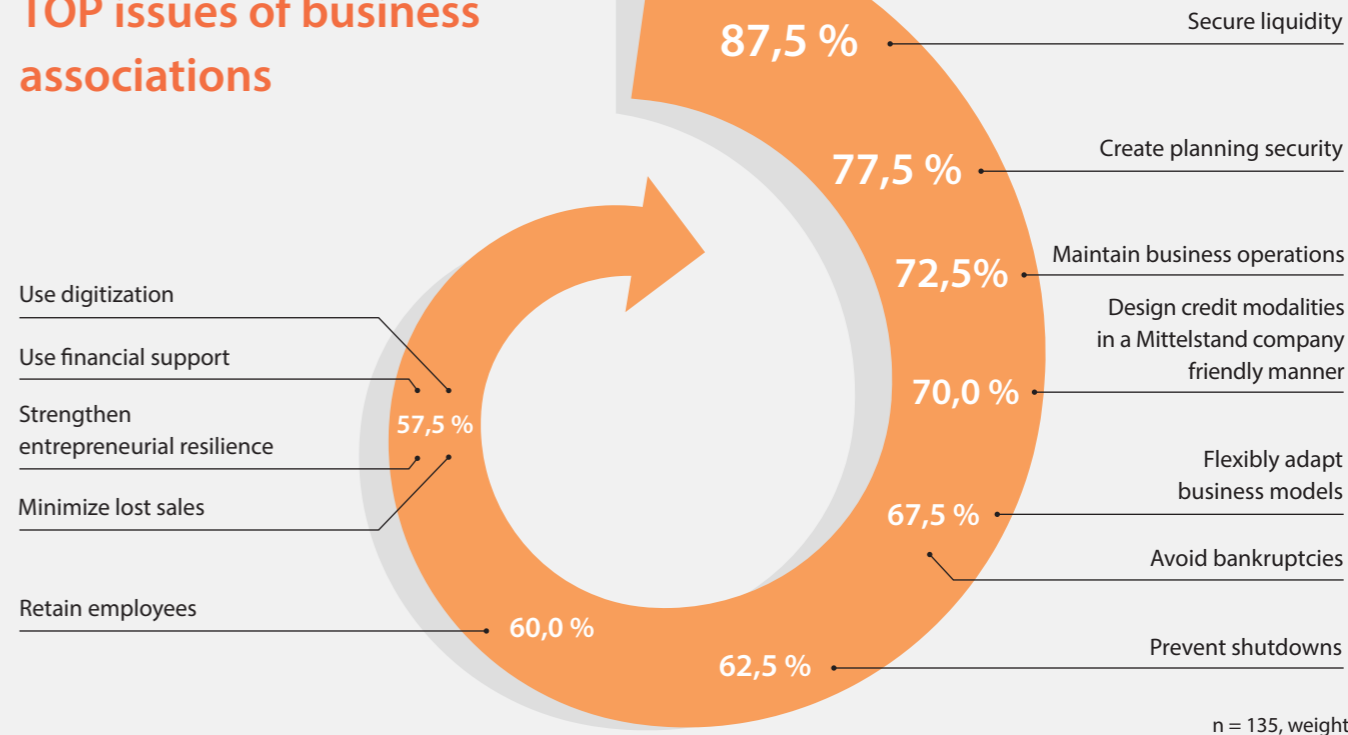
## Business associations wish for planning security

The representatives of the business associations deviate most clearly from the other two groups of experts in their assessments. For example, they primarily see economic policy-makers as responsible for creating planning security for medium-sized companies.

Furthermore, the experts of the business associations consider it an important task of policy-makers to prevent a further lockdown that would result in far-reaching restrictions on public life.

Additionally, the business associations not only see the maintenance of business operations as a challenge, but also the task of “avoiding insolvency” – which is a real danger in the corona pandemic for many medium-sized companies.

## TOP issues of business associations



Source: IfM Bonn 2020, own figure, values weighted.

Illustration 5

## Economic policy, research and business associations with different emphasis

Securing liquidity is the top priority for all expert groups. In contrast, there is a clear discrepancy between these experts when it concerns the planning security: During the corona pandemic, experts from business associations rate it significantly higher than their counterparts from economic policy and research in the corona pandemic.

This is not surprising, given that the pandemic is causing strong economic, social and political uncertainty: previous corporate strategies are losing importance and the development of new strategies is extremely difficult due to the uncertainty.

It is also striking that economic policymakers consider the topic of "digitisation as a coping strategy in the corona pandemic" to be much more important than the experts from business associations and research.

The companies seem to be in a better position here than economic policymakers had assumed, as the assessment of the experts from the business associations shows. By contrast, the public sector, still has some catching up to do whether it is in schools or regarding digital administration.

## TOP issues of the expert groups in comparison

	Economic policymakers	Research	Business associations
Secure liquidity	1	1	1
Maintain business operations	2	2	3
Flexibly adapt business models	3	3	5
Design credit modalities in a medium-sized company friendly manner	4	5	4
Minimize lost sales	7	4	9
Strengthen entrepreneurial resilience	8	6	10
Create planning security	16	9	2
Retain employees	11	7	8
Use digitization	5	17	12
Avoid bankruptcies	18	15	6

The number in the circle indicates the position of the topic in the overall ranking within the respective expert group.

n = 135

Source: IfM Bonn 2020, own figure, values weighted.

Illustration 6

## Top priority: Ensure innovation and competitiveness

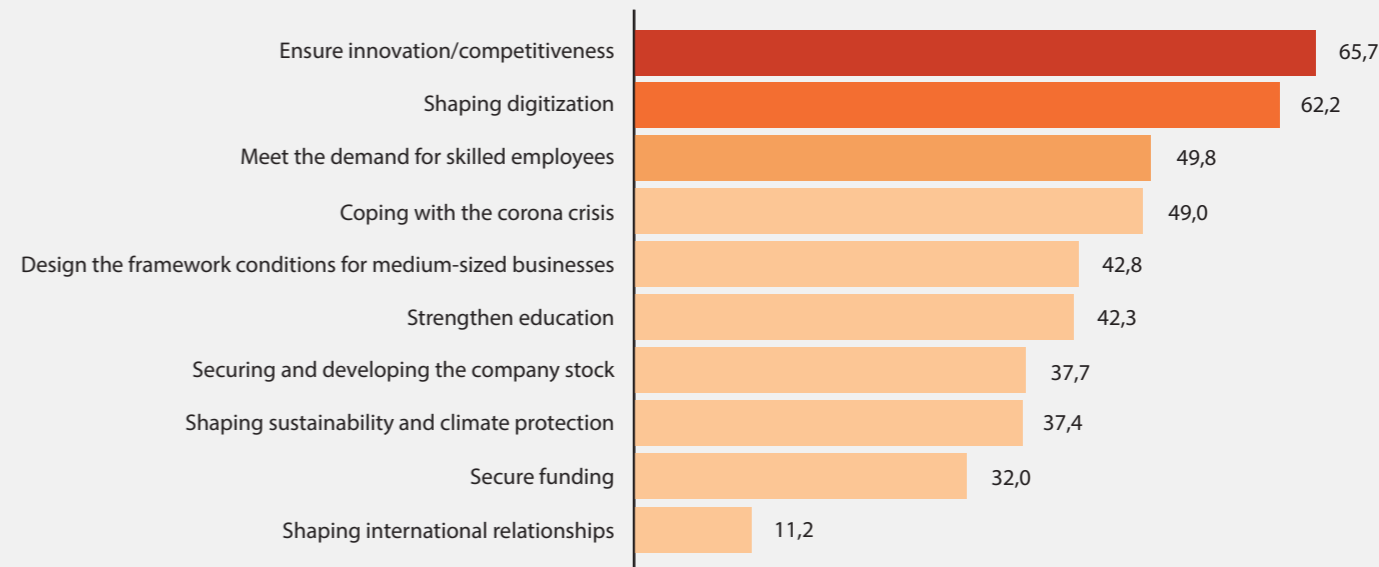
All experts groups consider, securing innovation and competitiveness to be the greatest challenge for SMEs. This applies not only today but also in the future. By contrast, "coping with the Corona Pandemic" with all of its economic and social effects ranks fourth in the ranking behind the topics "Shaping Digitisation" and "Securing the Demand for Skilled Personnel". More than half of the experts share this opinion. Only the scientific experts attach somewhat greater importance to crisis management than the expert groups.

However, it should be noted that the first three challenges are closely related to coping with the corona

pandemic. For example, this pandemic has led to a massive plunge in economic performance not only in Germany but also worldwide. The associated decline in exports is also affecting Germany's successful foreign trade. At the same time, internationally active companies are complaining that their foreign business is burdened by increasing trade barriers.<sup>4</sup>

<sup>4</sup> DIHK (2020): Corona-Krise droht zur Protektionismus-Krise zu werden. Retrieved from: URL: <https://www.dihk.de/de/aktuelles-und-presse/presseinformationen/corona-krise-droht-zur-protektionismus-krise-zu-werden-25042>

## The fields of action in the overview



Source: IfM Bonn 2020, own figure, values weighted.

in %  
n = 135

Illustration 7

## Companies learn how to deal with the “New Normality”

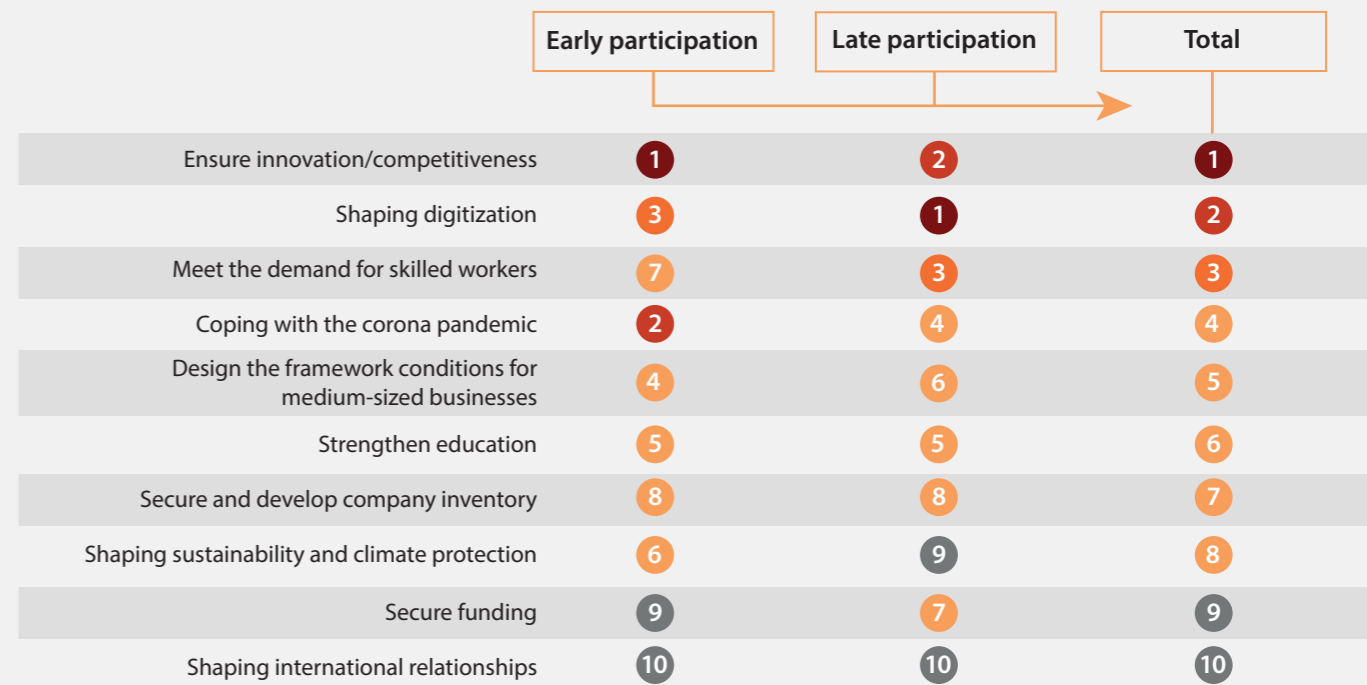
An analysis over time shows: The challenges of the corona pandemic are decreasing. When most restrictions in economic and social life were in force much more importance was attached to coping with the corona pandemic than at the later times. Apparently, SMEs have now managed to adapt to the “New Normality”.

However, there are likely to be major sector-specific differences: In the industrial and service sectors, new routines can be developed with hygiene concepts and distance regulations. By contrast, the hotel and restaurant industry and the creative and entertainment sector, for example, are still far from the “New Normality”.

Regardless of the corona pandemic, challenges such as digitization and meeting the demand for skilled workers are still great importance to German SMEs.

Less attention is currently paid to the shaping of international relations. SMEs should currently focus primarily on domestic markets and secure their innovative and competitive capabilities here.

## Importance of the fields of action over time



The number in the circle indicates the position of the field of action in the overall ranking of the fields of action at the respective time of the survey (early participation: April 28th - May 5th; late participation: May 6th - June 10th).

n = 135

Source: IfM Bonn 2020, own figure, values weighted.

Illustration 8

## Appendix

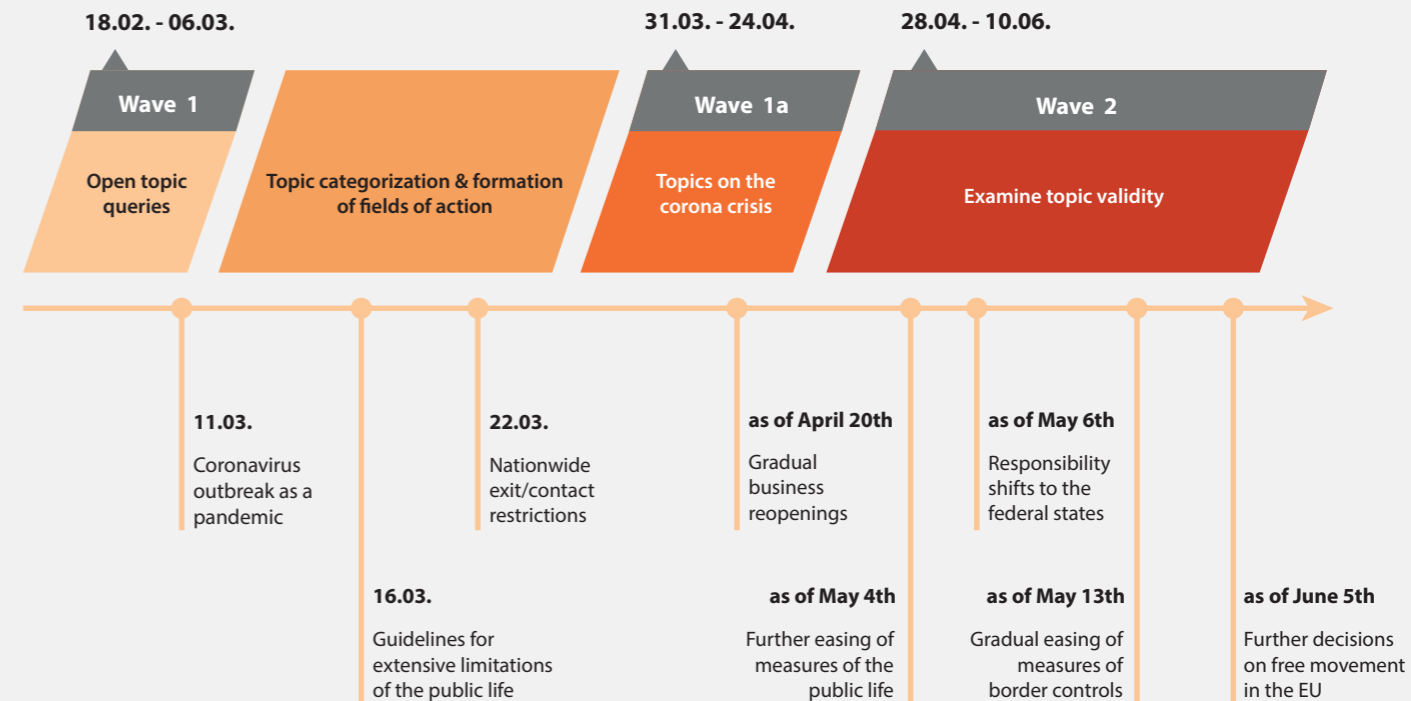
Appendix A: Time schedule of the current survey

Appendix B: Overview of corona topics

Further information can be found in the study results on:

[www.ifm-bonn.org](http://www.ifm-bonn.org)

## Time schedule of the future panel for SMEs in 2020



Source: IfM Bonn 2020, own figure

Appendix A

## Overview of corona topics (in %)

Topic	Economic policy	Science	Business associations	Total
Secure liquidity	86,4	80,4	87,5	84,8
Maintain business operations	75,0	70,6	72,5	72,7
Flexibly adapt business models	68,2	68,6	67,5	68,1
Making credit modalities friendly to SMEs	65,9	64,7	70,0	66,9
Minimize lost sales	59,1	66,7	57,5	61,1
Strengthen entrepreneurial resilience	59,1	62,8	57,5	59,8
Create planning security	47,7	52,9	77,5	59,4
Keep employees	54,6	60,8	60,0	58,4
Use digitization	61,4	41,2	57,5	53,4
Avoid bankruptcies	45,5	45,1	67,5	52,7
Develop exit strategy	61,4	41,2	55,0	52,5
Ensure health protection	54,6	45,1	55,0	51,6
Maintaining employment level	56,8	49,0	47,5	51,1
Claim financial support	50,0	45,1	57,5	50,9
Implement crisis management	43,2	54,9	50,0	49,4
Strengthen regional value chains	54,6	51,0	42,5	49,3
Stabilize value chains	56,8	39,2	47,5	47,8
Countering the crisis with innovations	50,0	35,3	55,0	46,8
Prevent shutdowns	38,6	35,3	62,5	45,5

Topic	Economic policy	Science	Business associations	Total
Retain customers	36,4	39,2	55,0	43,5
Adjust to changed consumer behavior	34,1	43,1	52,5	43,2
Manage debt	43,2	39,2	45,0	42,5
Guarantee apprenticeship in the corona pandemic	38,6	35,3	40,0	38,0
Structural trends vs. corona impact	45,5	45,1	22,5	37,7
Reduction of foreign dependency in value chains	34,1	37,3	37,5	36,3
Secure shutdown financing	36,4	41,2	27,5	35,0
Tackle crises	27,3	39,2	35,0	33,8
Establish/secure competitiveness	25,0	33,3	37,5	31,9
Make up for lost sales	29,6	27,5	37,5	31,5
Adjust company culture	36,4	27,5	30,0	31,3
Ensure funding for public investments	27,3	25,5	32,5	28,4
Securing basic services	22,7	31,4	25,0	26,4
Pay attention to european dimension	22,7	21,6	25,0	23,1
Stabilize social security systems	15,9	21,6	30,0	22,5
Protect companies from foreign acquisitions	20,5	15,7	22,5	19,6
Strengthen cooperations	15,9	9,8	10,0	11,9
Dismissals of employees	4,6	5,9	2,5	4,3

Source: IfM 2020, own figure, values weighted.

Appendix B

Gefördert durch:



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Ministerium für Wirtschaft, Innovation,  
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