

Executive Summary

The societal impact of German Mittelstand: Conceptual considerations

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IfM-Material No. 283

Institut für
Mittelstandsforschung

IfM
BONN

www.ifm-bonn.org

Impressum

Publisher

Institut für Mittelstandsforschung Bonn
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IfM-Materialien Nr. 283

ISSN 2193-1852 (Internet)

ISSN 2193-1844 (Print)

Bonn, August 18th, 2020

Das IfM Bonn ist eine Stiftung
des privaten Rechts.

Gefördert durch:



Bundesministerium
für Wirtschaft
und Energie

aufgrund eines Beschlusses
des Deutschen Bundestages

Ministerium für Wirtschaft, Innovation,
Digitalisierung und Energie
des Landes Nordrhein-Westfalen



Executive Summary

The study at hand is the beginning of a perennial research. It conceptually analyses the societal impact of German Mittelstand companies. This concept will be empirically tested and refined in subsequent studies.

Societal impact is the additional benefit of economic activity

The societal impact made by Mittelstand companies is larger than can be reflected in the economic results of individual businesses or of all businesses as a whole. It is defined by the societies' normative consensus about what constitutes a good and liveable society. Politics sets the legal framework for the provision of societal impact. Engrained in the German constitution, for example, is the fact that the property use should serve the "common good".

Every economic activity involves societal impact

Every entrepreneurial activity results in an indirect impact to society as a by-product. Its scope however depends on companies' economic results. Companies provide direct societal impact if they are actively involved in a society, irrespective of whether it is because it is laid down in the company's business' objectives or whether it is because the companies are motivated by expected economic gains.

Ownership structures influence the societal impact

The ownership structures of companies do also influence the societal impact. In Mittelstand companies, the personal goals of the entrepreneur play an important role in the orientation of the company. For example, if entrepreneurs attach great importance to striving for independence or for maintaining control over the family business, these objectives may limit the economic success of a company and have a negative impact on its indirect societal contribution. On the other hand, if entrepreneurs focus on social, societal or ecological goals, these goals may result in positive effects on the societal contribution.

Regional anchoring of Mittelstand can be drivers and barriers

Most of the German Mittelstand is closely linked to its location, which can have a positive effect on its societal impact – especially when the companies significantly contribute to the regional development. However, expectations of the regional society can have a negative impact on economic activity if companies place societal engagement above economic activity. This respectively reduces the opportunities to make societal contributions.

Societal impact in times of crises

Crises affect those societal contributions of Mittelstand companies that arise from their economic activities. Sectors that are particularly hard hit by a crisis might restrict their engagement in investments and in vocational trainings. However, at the same time Mittelstand has a stabilising effect on the economy and society during crises: In general, Mittelstand companies keep their employees as long as it is economically viable. Commitment and reliability – values of the Mittelstand – can reduce the uncertainty of market participants. Parts of the population honour this societal impact made by Mittelstand companies by providing support through local initiatives in the current acute crisis.

The societal impact of Mittelstand companies: from concept to measurement

This study develops a concept that captures the multi-layered influences on the contribution of Mittelstand companies in their dealing with societal challenges. In the further course of this project, individual aspects of the impact of Mittelstand companies on society will be empirically investigated, at first, by using prevailing data to offer approximations. Subsequently, the process of societal value creation by Mittelstand companies will be examined in more detail by means of regional case studies. The results are to be incorporated into proposals for the development of new and/or the expansion of existing indicators that record the societal impact, finally leading to recommendations for Mittelstand policy measures.