

# Executive Summary

## Attitudes and behavior of Mittelstand companies facing climate change

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## **Executive summary**

### **Mittelstand companies advocate climate protection because of their own values.**

Across all size classes, companies are highly aware of the risks posed by climate change. In the case of Mittelstand companies, this is primarily based on their own values. In the case of large companies, on the other hand, societal values have a strong impact. However, only a few companies are convinced of the additional market opportunities that are sometimes claimed in connection with the transition to a "green economy". Small companies in particular, which can often tap only limited resources, instead see the costs associated with environmental protection measures

### **Majority of companies have already initiated environmental innovations**

The climate-conscious attitude of many companies is not just lip service. It also manifests itself in concrete behavior: More than half of all companies have carried out environmentally relevant innovations in the past three years. In principle, large companies innovate more than small and medium-sized companies because of their resource advantages. Resource availability is therefore also the most important factor influencing environmental innovations. At the same time, however, the unity of ownership and management in Mittelstand companies also proves to be a "driver" for the implementation of environmental activities, as it is easier for the owners to translate their environmentally friendly attitude into entrepreneurial behavior than, for example, managers of companies.

### **Preference for flexible climate policy instruments**

Companies generally prefer flexible climate policy instruments that leave room for taking individual decisions of each company. Large companies decidedly prefer market-based instruments. Basically, these instruments are also popular among Mittelstand companies. However, they also appreciate informal instruments that leave plenty of room for flexible, situation-specific solutions.

### **Paying attention to the design of environmental policy instruments**

We are critical of the attempt to compensate for the resource disadvantages of Mittelstand enterprises by means of special subsidy programs for environmental investments. This would lead to considerable windfall effects. Instead, greater use should be made of environmental policy instruments that can be

flexibly adapted to the individual situation of a company. Examples include an emissions trading system or CO<sub>2</sub> pricing. If possible, these systems should be designed in such a way that they do not cause any additional bureaucratic effort for the companies. They should also not place a financial burden on Mittelstand enterprises that exceeds that which is unavoidable for the realization of the steering function. In addition, greater use of informal instruments, such as binding voluntary commitments, could be considered. These are very flexible and enjoy great popularity, especially among Mittelstand companies.

### **The right communication is important**

Since only a few companies associate the shift to a "climate-friendly economy" with additional market opportunities, this point should not be emphasized in political communication. Otherwise, one runs the risk of causing an (undesirable) "crowding out" of companies. Instead, the social contribution that medium-sized companies can make here should be emphasized.