

# IfM-Position Paper

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## Daring to be more reliable

by Prof. Dr Friederike Welter

Institut für  
Mittelstandsforschung

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The recent sale of the Viessmann family-owned Climate Solutions division to the US company Carrier has caused a furore. Prof. Dr Martin Viessmann and his son Maximilian Viessmann have repeatedly emphasised that the sale would be the best way to secure their employees' jobs in the long term. This move confirms what a survey by the Institut für Mittelstandsforschung (IfM) Bonn already clearly expressed in 2014: In addition to their independence and the safeguarding of their income and assets, the satisfaction of their employees and the preservation or creation of jobs are essential to family entrepreneurs – significantly more than executives in manager-led companies.

Nevertheless, some see Viessmann's decision to sell as an inconsiderate long-term strategy. They cite it as evidence that an increasing number of challenges are overburdening Mittelstand companies – so they need help from politicians. However, this view of Mittelstand companies – as a whole or in part – as needy is counterproductive. It conveys the wrong image of the Mittelstand that cannot master the current challenges on its own and therefore needs to be supported. In contrast, asking which primary conditions best support Mittelstand companies' efforts to overcome their current challenges is much more constructive. In my view, three fundamental aspects are essential:

First and foremost, Mittelstand companies in Germany need prolonged, reliable regulatory framework conditions. Only then will Mittelstand companies have the necessary planning security to secure or expand their competitiveness in a targeted manner. Given these conditions, Mittelstand companies demonstrate values such as commitment and reliability to reduce all market participants' uncertainty and mitigate negative expectations.

Secondly – closely related to reliable framework conditions – the scope of bureaucratic obligations must remain the same. This aspect is already putting a

massive strain, especially on the resources of small businesses, according to current calculations by the Institut für Mittelstandsforschung for the mechanical and plant engineering sector. For example, in a company with 125 employees, approximately 3% of turnover is tied up annually towards the bureaucratic burden at the federal level. However, Mittelstand companies can only significantly contribute to the successful transformation if their resources are not diverted further away. Instead, they must be able to develop new solutions flexibly, try them out and bring them to the market. Accordingly, lengthy planning and approval procedures also prevent Mittelstand companies from playing to their strengths.

Thirdly, it is even more important to watch the (in)direct effects of legislative initiatives. As a concrete example, the transformation requires considerable financial resources to finance necessary investments. Many Mittelstand companies want to realise this with the help of loans. It is, therefore, essential to make it easier for them - regardless of their size - to access these financial resources. The EU "Strategy for Financing a Sustainable Economy" obliges banks and savings banks to check the sustainability of their lending to companies. What offers investors maximum transparency about sustainable investment opportunities means a considerable collection and compliance burden, especially for smaller companies. However, SMEs should still be exempt from the reporting obligation per se. These reporting obligations include unnecessary credit hurdles for smaller companies, which in turn prevent investment and innovation – and thus hinders the transformation that is intended instead of promoting it.

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