

Press Release

How Mittelstand can emerge strengthened from the crisis

Research, Business and Policy discussed current and necessary support measures for the future.

13.04.2021: "Even if the acute problems of the Mittelstand currently predominate and an end to the pandemic is not yet in view, Mittelstand policy also keep the post-Corona period in mind. We should rather already be looking for ways to support companies in restarting their long-term business development," said Prof. Dr. Friederike Welter (IfM Bonn/University of Siegen) at today's digital round table of Mittelstand. At the invitation of the IfM Bonn, representatives of scientific institutes, trade associations and the KfW banking group discussed current and future economic policy support measures with representatives of the Federal Ministry for Economic Affairs and Energy.

According to studies by Petrik Runst and Jörg Thomä (IfH Göttingen), the Mittelstand-imprinted economic structure has proved resilient in the Corona crisis. The comparison of unemployment rates across different regions shows that districts with a small business structure were less affected by the negative economic effects of the Corona crisis than districts with a large firm structure.

According to Dr. Dominika Wach (TU Dresden), the Corona crisis represents an enormous financial, but also personal burden for entrepreneurs. Nevertheless, solo self-employed people as well as owners of small and medium-sized enterprises (SMEs) in Germany report a relatively high level of life and work satisfaction. "This indicates a high level of resilience. Furthermore, it can be expected that mental and physical recreation contribute significantly to maintaining of psychological well-being. Entrepreneurs find it most difficult to mentally relax after work," explained the labour and organisational psychologist from Dresden.

Distribute support measures in a more targeted way

Prof. Dr. Jörn Block (University of Trier) and Prof. Dr. Alexander Kritikos (DIW Berlin) found that the emergency aid at the beginning of the pandemic "proved to be moderately positive" in terms of the economic burden on the self-employed

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- especially because it was granted so quickly. This aid helped to partially absorb burdens from fixed operating costs among those self-employed who recorded high turnover losses. However, in order to increase the positive effects of such a support measure in the long-run, it is important to have reliable monthly payments for the self-employed in months with high turnover losses.

Dr. Davud Rostam-Afschar (University of Mannheim) emphasised in his presentation that it might make sense to target support measures more precisely by better aligning them to the respective entrepreneurial cost structures and the sector-specific situation. As a result, liquidity needs could be determined much more concretely, which helps to prevent both employee layoffs and insolvencies of healthy companies. New data from the German Business Panel also show that targeted measures would particularly eliminate support for companies, which were able to increase their profits during the pandemic.

"As the crisis progresses, policy-makers should initiate instruments to support entrepreneurs who respond innovatively to the pandemic, rather than prolonging the survival of nearly insolvent firms," said Dr Georg Licht (ZEW). Together with two researchers from the ZEW, he examined the extent to which the economic policy measures in spring 2020 prevented an immediate wave of corporate insolvencies on the basis of data from around 1.5 million companies in Germany. According to the study, 25,000 companies that were already in a weak financial situation before the crisis were estimated to be able to avoid going to insolvency court by November 2020.

SMEs affected by the crisis in different ways

Hans-Jürgen Wolter (IfM Bonn) showed that the majority of Mittelstand businesses could now operate largely unhindered if they adhere to a hygiene concept. In turn, he said, the economic consequences for those Mittelstand sectors experiencing a lock-down due to the pandemic situation were enormous. "It would therefore be important to provide unbureaucratic financial support over a longer period of time to help the businesses in these sectors to survive. Also longer-term slumps in sales and business development may have to be considered because consumer behaviour possibly changes in the long run," says the IfM researcher. Prof. Dr. Simone Chlosta and Martin Deschauer (RKW Competence Centre) also emphasised that the Corona pandemic has long since ceased to affect every Mittelstand company. This was shown by a survey conducted between the end of 2020 and the beginning of 2021. Instead, the focus

of many companies has shifted again to topics like "lack of skilled labour", "customer acquisition" and "digitalisation". In addition, the topics of "sustainability" and "climate protection" are gaining in importance among SMEs.

SMEs still need to become more digital

But even if many Mittelstand businesses have increased their digitisation activities in the face of the corona pandemic crisis, Dr Volker Zimmermann (KfW Research) believes that Mittelstand policy should continue to focus on promoting the digital transformation: "During the past months of crisis, companies have often concentrated on measures that can be implemented quickly - long-term projects, on the other hand, have been postponed. Even after overcoming the acute crisis phase, investments in digitalisation will not be matter of certainty," summarised the KfW Group researcher.