

# Press release

## Needs of the German Mittelstand amid the social-ecological transformation of market economy

### Round Table German Mittelstand: Companies are committed to climate protection

**Bonn, 29 March 2022:** "Together with the Mittelstand companies, we want to achieve the goal of climate neutrality. That is what we are working towards. We will facilitate that companies can use their self-produced renewable electricity. This will reduce their costs and help them achieve the goal of using 80 per cent renewable energy by 2030. We are also targeting the problem of securing skilled labour. In order to realise climate-friendly and sustainable technologies, we need specialists in Mittelstand companies," said Michael Kellner, Parliamentary State Secretary and Federal Government Commissioner for the Mittelstand, opening today's Round Table Mittelstand companies in Berlin. More than 30 participants from research institutes, trade associations, the KfW Bankengruppe, the Federal Ministry for Economic Affairs and Climate Action, and the Ministry of Economics, Innovation, Digitalisation and Energy of the State of North Rhine-Westphalia discussed "Mittelstand policy in the context of the social-ecological transformation of market economy".

Three steps are necessary to develop the social market economy into a social-ecological market economy, according to Prof Friederike Welter (IfM Bonn/University of Siegen). "Policymakers must establish binding conditions, they should seek direct dialogue with Mittelstand companies and view Mittelstand policy in its entirety as a cross-sectional policy, argues Prof Friederike Welter (IfM Bonn/University of Siegen). More precisely, all ministries involved must consider the impact of legislative initiatives on Mittelstand companies to avoid unnecessary burdens." After all, according to Dr Susanne Schleppehorst's (IfM Bonn) research, Mittelstand companies contribute to society in many ways in addition to their economic activities - and thus contribute to the future viability and resilience of regions. However, a considerable part of the contribution is not generated by the companies alone but arises in interaction with other actors in the regions.

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Networking in the regional community and the specific regional identity play a significant role in this joint social value creation.

According to Dr Michael Schwartz (KfW Research), Mittelstand companies are already highly contributing to the goal of climate neutrality by 2045. "In 2020, around 12 % of all Mittelstand companies invested a total of 22 billion euros in climate protection projects. Every tenth euro invested by Mittelstand companies in 2020 thus flowed into climate protection projects." Regardless of the total amount of investment in climate protection, Mittelstand companies are also paying more attention to the CO<sub>2</sub> reduction of their processes, services and products and are trying to achieve the climate targets through compensation and external reduction, as Prof Jörn Block (University of Trier) showed based on the initial results of an empirical survey of more than 300 Mittelstand companies in the manufacturing sector in Germany.

Obtaining public procurement contracts with environmentally oriented award criteria increases the probability of introducing more environmentally friendly products by small and medium-sized enterprises, research by Bastian Krieger (ZEW - Leibniz Centre for European Economic Research in Mannheim) showed. A correlation with the introduction of more environmentally friendly processes, on the other hand, could not be established. "These results are very likely to apply to start-ups in particular, as they benefit especially strongly from the additional demand security of the contracts," says the ZEW researcher.

Dr Klaus-Heiner Röhl (German Economic Institute Cologne) presented results on the internationalisation of the Mittelstand and the German economy's dependence on inputs and raw materials against the background of the war in Ukraine. While the trend towards internationalisation has slowed down in recent years, the dependence on energy imports - also from Russia - remains high.

The goal of Sustainable Finance also poses new challenges in particular for SMEs. "However, small and medium-sized enterprises are already preparing for the new obligations, even if concrete requirements, for example, in the course of the EU taxonomy, are not expected to affect SMEs until the next few years. Nevertheless, it is becoming clear that it will be difficult for many SMEs to keep track of the growing number of reporting obligations and master the bureaucratic burdens," reported Dr Matthias Mainz (IHK NRW).