

# Executive Summary

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## "Mittelstand" Policies in practice – Business framework policy or funding policy?

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## **Executive Summary**

"Mittelstand" policies should focus more strongly on framework conditions. While the general regulatory framework is set by the federal government, the remaining *Länder* competencies seem to include only funding policies at first sight. We analyze, on which fields of action in "Mittelstand" policies the *Länder* concentrate and which possibilities they have to design positive framework conditions for the "Mittelstand".

### **Reduce the focus on funding and compensation for disadvantages**

Funding policies and especially trade promotion play an important role in "Mittelstand" policies of the *Länder*. "Mittelstand" policies mostly address small and medium-sized enterprises and are often justified with the argument of compensation for disadvantages. Furthermore, the *Länder* seek to promote individual subgroups of the "Mittelstand" which are supposed to make special contributions to the development of the regional economy. However, with support programs addressing a limited number of selected enterprises only, the *Länder* are not able to meet the needs of the very heterogeneous "Mittelstand" in its whole economic and social dimension.

### **Design of positive framework conditions for the "Mittelstand" is key**

With regard to the creation of positive framework conditions, the *Länder* consider it a priority to ensure a transparent and business friendly public administration. Besides, high importance is attached to enterprises' access to knowledge and technology. Sensitization for entrepreneurship as well as the supply of support services for information and knowledge provision are not regarded as priority tasks by the *Länder*. All in all, the *Länder* could influence framework conditions for the "Mittelstand" more strongly as they do right now. Considering that the *Länder* benefit from closer contacts to the "Mittelstand" than the federal government, they could make important contributions especially with regard to the creation of a positive climate for entrepreneurship.

### **Intensify cooperation between the various policy departments**

In our view, framework-oriented "Mittelstand" policies of the *Länder* pay insufficient attention to education policies, the supply of basic resources as well as to soft locational factors. These policy fields are essential for the future development of the "Mittelstand" and should therefore come into focus more strongly when the *Länder* respond to current challenges. However, many of these poli-

cy fields do not fall within the (exclusive) remit of the "Mittelstand" policy units. The legislative competence often lies with other policy units or ministries. Since "Mittelstand" policies are a cross-sectional task, the cooperation with other policy departments is essential. Currently, the "Mittelstand" policy units of the *Länder* cooperate with other policy departments only informally and in response to specific challenges. Furthermore, the intensity of cooperation differs quite strongly. In future, the departments in charge of "Mittelstand" policies should act more strongly as a lobby for the "Mittelstand" and represent its interests when dealing with other policy units and ministries. In addition, they should intensify and at least partially formalize their cooperation with other policy departments.

### **Promote appreciation and sense of belonging for "Mittelstand" companies**

The *Länder* have good possibilities to strengthen the sense of belonging of the different sub-groups of the "Mittelstand". This can be achieved, if the *Länder* (regularly) consult the "Mittelstand" and at the same time elaborate and communicate an overall mission statement that conveys and strengthens appreciation and sense of belonging. The mission statement should be oriented at the qualitative criteria of the "Mittelstand" which are based on the unity of ownership and management. The linguistic and content-related principles of the mission statement should be considered and reflected in all communication of the Mittelstand departments and policy makers when addressing the "Mittelstand". While the communication of support measures should become less important in communication policies, the *Länder* are advised to focus more on essential aspects of long-term successful business management as well as on the dissemination of information on "Mittelstand"-specific framework conditions.