

# Executive Summary

## Enterprises' Perception of Bureaucracy

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## **Executive Summary**

Over the past two decades, economic policy in Germany has gradually developed a wide range of instruments aimed at reducing bureaucracy and improving regulation. Even though bureaucratic costs - measured in terms of time and cost - tend to decline, enterprises continue to see bureaucratic burdens as a key obstacle to growth. This study examines the significance of entrepreneurial perception of bureaucracy for the first time.

### **Perception determines assessment and handling of bureaucracy**

In perception processes, the focus is on the individual persons with their respective experiences and emotions as well as their (expert) knowledge and their specific environment. The individual perception of the entrepreneurs also influences behaviour and strategies in enterprises - with an effect on their assessment and handling of bureaucratic requirements.

### **The Grumbling Type dominates among the three perception types**

Three different enterprise perception types can be identified, depending on the degree of perceived overall burden, the extent of perceived efforts required to fulfil bureaucratic obligations and the extent of emotions evoked by bureaucracy. More than half of all enterprises can be assigned to the Grumbling Type, a little over a third belong to the Pragmatic Type and almost a tenth to the Unencumbered type.

### **Enterprises define bureaucracy much broader than policy makers**

Almost all enterprises (97.4 %) define the term bureaucracy much more broadly than policy makers. Beyond compliance with public regulation, they mostly associate also compliance with semi-public or private-sector regulation with it. Since the Grumbling Type often has a broad understanding of bureaucracy and perceives more regulations of different origins as bureaucracy, this can also contribute to his higher extent of perceived burdens.

### **Lack of meaningfulness and high control intensity of bureaucracy**

Besides practical difficulties in dealing with bureaucratic requirements, a large proportion of enterprises criticises the lack of meaningfulness in many regulations (59.2%) and a high density of regulation (78.4%). This often leads to stress and uncertainty and can further reinforce the negative perception of bureaucracy. Even if the actual goals of laws and regulations are regarded as plausible, but their implementation requires disproportionately high efforts and resources, the "threshold to inappropriateness" is crossed.

### **Autonomous reduction of bureaucracy as a result of negative perception**

Almost half of all enterprises do not see themselves in a position to meet all bureaucratic requirements. They only comply with the regulations that they consider to be the most important. More than one in four enterprises deliberately reduce bureaucracy autonomously.

### **Weakened acceptance of the economic policy framework**

The widespread critical perception of bureaucracy and the incomplete implementation of bureaucratic requirements can be interpreted as a weakening of the rule of law and the acceptance of the economic policy framework. This tendency is further reinforced by the fact that enterprises often do not (any longer) perceive (potential) advantages of bureaucracy, such as legal certainty and equal treatment.

### **Greater integration of enterprises in the reduction of bureaucracy**

In order to reverse many enterprises' negative, long-standing experiences with bureaucracy, bureaucracy reduction measures and an information and communication policy that focus primarily on the reduction of information requirements - and thus on bureaucracy in the narrow sense - fall far too short. The broad definition of bureaucracy, which characterises enterprises' perception of bureaucracy, should be taken into account by economic policy. A stronger integration of companies and their expertise in the process of bureaucracy reduction can provide new impulses. The majority of companies expresses their willingness to co-operate.