

Executive Summary

Globale Vernetzung, Kooperation und Wertschöpfung im Mittelstand

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German Mittelstand companies are increasingly integrated into global value chains. Based on theoretical analyses and additional in-depth expert interviews, the present study investigates the associated challenges and opportunities for Mittelstand enterprises.

Participation in (global) value chains opens up time and cost advantages

Through the cooperation in value chains, all participating enterprises can specialise on their specific core competences. This does not only increase the productivity of each individual enterprise, but at the same time also of the entire value chain. Mittelstand suppliers benefit from this specialisation and also from the possibility to access joint network resources (pooling) which helps them to overcome resource restrictions.

Problematic dependencies

When cooperating in value chains, the enterprise culture of Mittelstand companies - marked by trust, partnership and long-term orientation - is confronted with the financial-market driven, short-term perspective of stock-exchange listed lead enterprises. Due to their large demand volumes, these lead enterprises have huge economic power which they may use rather aggressively vis-à-vis their suppliers in order to enforce price reductions or modify contract terms ex-post to their own advantage. Many Mittelstand companies experience the resulting conflicts as strenuous. This conflict is particularly marked in the car industry.

Mittelstand suppliers can counteract the negative consequences of these dependencies by developing innovative, high-quality products and by participating in several, different value chains. The latter strategy, however, is associated with considerable - partly avoidable - efforts and costs (e.g. value chain specific certifications) and is more difficult for small enterprises to pursue due to their more limited resources than for large stock-exchange listed suppliers.

Suppliers often follow their customers abroad

Suppliers often establish production units abroad in the context of a "Follow-your-Customer-Strategy". Often, but not always, these internationalisation activities are realised in response to pressures from the respective lead enterprise. For many Mittelstand suppliers this move is associated with high ex-

penses and efforts. However, it also opens up new opportunities, e.g. acquiring new customers in the host country.

Concentration tendencies but also opportunities for highly specialised suppliers

Currently, many large lead enterprises reduce the number of their suppliers. They entrust larger parts of the value chain's entire value added to the remaining suppliers and also increasingly delegate product development to them. Furthermore, global value chains are strongly affected by digitisation, e.g. in the form of new production technologies such as additive manufacturing (industry 4.0). These developments require suppliers to make considerable investments in order to adjust their production plants to the new conditions and technologies. Smaller enterprises that do not have the necessary resources for these investments are increasingly taken over by larger competitors. On the other hand, these new developments also represent new opportunities for small, highly specialized suppliers that have cutting-edge expertise and solutions.

Positive framework conditions are essential for Mittelstand suppliers

For Mittelstand companies to succeed in global value chains, it is important to offer an optimal technological infrastructure (fibre-optic based broadband) and positive education policies which provide the basis for the recruitment of (future) highly skilled employees.

Since the existing trade barriers and tariffs are an important motive for many companies to internationalise, free trade agreements such as CETA and TTIP are of special importance. These agreements tend to reduce the pressure on suppliers to follow their lead enterprises abroad and also relieve cost pressures through the standardisation of regulations and licensing procedures.