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**Working Paper**

## Who Reports the Mood in German Boardrooms? Evidence from the ifo Business Survey

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# Who Reports the Mood in German Boardrooms? Evidence from the ifo Business Survey

## Abstract

The ifo Business Climate Index for Germany is considered as the most important leading indicator for the German economy. Media reports often refer to the mood in German boardrooms. Based on a survey conducted in May 2023, we show that most of the around 9,000 respondents to the monthly ifo Business Survey are the owners or managers of the companies. The sentiment regarding the state of the German economy thus comes directly from the boardrooms of the companies.

JEL-Codes: C800, C810, C830.

Keywords: ifo business Survey, firms, answering behaviour.

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# 1 Introduction

In the ifo Business Survey around 9,000 companies from almost all economic sectors throughout Germany are surveyed monthly on their current business situation, expectations and plans for the coming months, as well as on further variables of interest (Demmelhuber, Sauer, and Wohlrabe, 2023). In addition to numerous other economic indicators, the main result from this survey is the ifo Business Climate Index for Germany (Sauer and Wohlrabe, 2018). It is considered as the most important leading indicator for the German economy.<sup>1</sup>

The media coverage of the ifo Business Climate Index for Germany frequently refers to the mood in German boardrooms (German "Deutsche Chefetagen", cf. Tagesschau (2023)) or the mood in the German economy in general. Whether this formulation is correct is examined in this study which answers the question of who fills in the questionnaires of the monthly ifo Business Survey.

To be able to draw meaningful and reliable conclusions about the German economy and its various sectors, the survey results must meet several criteria. Among other things, the questions posed must ask for suitable variables and be formulated in a neutral and comprehensible way. In addition, the panel of participating companies must be large enough and roughly reflect the actual structure of the German economy in terms of economic sectors, regions, and company sizes. This must be the case to avoid distortions in the results. Hiersemenzel, Sauer, and Wohlrabe (2022) show that the ifo Business Survey meets these conditions and that the panel is representative for the German economy. Due to their economic importance, however, larger companies are deliberately over-represented in their relative share.

The person(s) within a firm completing the questionnaire play another crucial role. They should be in a position in the company hierarchy that makes it possible for them to access all relevant information and data for answering the questions without much effort. It is also important for research based on microdata that the decision-makers in the companies answer the questions. Current scientific analyses of the underlying survey microdata can be found e.g., in Link, Peichl, Roth, and Wohlfart (2023) or Doovern, Müller, and Wohlrabe (2023).

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<sup>1</sup>In a detailed literature review, Lehmann (2023) shows the very good forecasting power of the numerous indicators from the ifo Business Survey for a wide range of macroeconomic variables.

## 2 Who fills out the questionnaire? New Evidence

Regarding the importance of this issue, a supplementary question within the ifo Business Survey in 2018 asked about the department and position of the persons completing the questionnaire (Sauer and Wohlrabe, 2019). According to the answers on this question, 77.3% of the responses at the end of 2018 came directly from the management of the participating companies and more than 81% of the respondents were owners, CEOs, authorized officers, or board members. Accordingly, the term "German boardrooms" is accurate for most of the participating companies.

The ifo Institute is continuously making great efforts to expand the panel of participants. After 2018, especially a lot of small enterprises and self-employed persons have been added to the panel (Sauer and Wohlrabe, 2022). For this reason, a supplementary question on who fills in the questionnaires was asked again in May 2023. This was done to identify any changes in the results obtained in the last study. The exact questions were as follows:<sup>2</sup>

1. In which area of your company / operation is the questionnaire for the ifo Business Survey usually filled out?

- Management
- Finance / Controlling / Accounting
- Sales / Marketing
- Production<sup>3</sup>
- other, namely: \_\_\_\_\_

2. Which designation mostly corresponds to the position of the person usually filling in?

- Owner(s)
- CEO / Authorized Officer/ Board member

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<sup>2</sup>In the appendix we provide the original formulation in German.

<sup>3</sup>Only in industry and construction.

- Head of Department
- Team Leader
- Clerk
- other, namely: \_\_\_\_\_

When evaluating these questions, no weighting of the responses by firm size was applied. This is otherwise common when calculating the economic indicators from the Ifo Business Survey (Sauer and Wohlrabe, 2020). In addition, the responses of self-employed persons were excluded from the analysis.

Table 1 shows the distribution of responses by department of the persons completing the survey. Clearly the largest share of answers comes from management (79.8%). This share is even slightly higher than in 2018, which means that most questionnaires are still answered at the company management level. This is especially worth mentioning due to the extensive recruitment of new participants and the associated increase in the panel. In trade (87.9%) and in the service sector (85.0%) the values are even higher, while in manufacturing (70.8%) and in construction (75.2%) they are somewhat below the total value.

Table 1: Distribution of responses by department

	Total	Manufacturing	Construction	Trade	Service sector
Management	79.8%	70.8%	75.2%	87.9%	85.0%
Finance / Controlling / Accounting	14.7%	19.8%	21.3%	8.9%	11.2%
Sales / Marketing	3.0%	6.3%	0.7%	2.0%	1.3%
Production	0.4%	1.1%	0.5%	0.0%	0.0%
Other	2.0%	2.0%	2.3%	1.2%	2.5%

With 14.7%, the second highest number of responses originate from the areas of finance, controlling, and accounting. Employees in these areas also generally have easy access to the information they need to answer the survey. In these areas, the share of responses in manufacturing (19.8%) and in construction (21.3%) is higher than in trade (8.9%) and in the service sector (11.2%). In some major industries, like mechanical engineering, car

manufacturing, and electrical engineering, a quarter of the answers come from this area. The number of responses from the departments of sales and marketing (3.0%), production (0,4%), and other departments (2.0%) are rather low.

For comparative purposes it is worth to take a closer look at the results from the study in 2018. Here, also for each economic sector, most of the answers came from management. As in the current survey, trade (85.9%) and the service sector (83.7%) showed a higher response rate than the total value, while in manufacturing (65.3%) and in construction (71.2%) the rate was lower. Likewise on the second place, in 16.8% of the cases, respondents came from the areas of finance, controlling, and accounting. It is thus apparent that since the last report from 2018 a share of about 2 percent of the answers that came from finance, controlling, and accounting has shifted to management.

In addition, the study examines which position the person completing the survey holds in the company (Table 2). It is evident that the questionnaire is predominantly filled out by the owner of the company (51.9%). It is also apparent that owners represent the largest share of respondents in each economic sector. This is especially the case in the service sector (57.4%), trade (63.4%), and retail which stands out with an owner share of 72%. In manufacturing the reports almost equally often originate from the owner as well as from the management level (40%). The second highest number of responses come from CEOs, authorized officers, or board members (33.8%). Taking this and the owners category together as the entire company management level, we arrive at a share of around 86%. In the report from 2018 this value was at 81.7%.<sup>4</sup> For the remaining responses in the recent report team leaders (6.7%), heads of department (1.3%), clerks (4.2%), or workers in other positions (2.1%) are responsible.

The results are more heterogeneous when we distinguish by size classes (Figure 1).<sup>5</sup> The owners of large enterprises answer the questionnaires significantly less often (27.0%) than

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<sup>4</sup>In the report from 2018 there was no distinction between the response rate from the owner and the response rate from CEOs/authorized officers/board members. As no other position from the management level was queried in the survey from 2018, we find it acceptable to compare the response rate from the management level in the current study with the response rate from the CEO in the last study.

<sup>5</sup>Depending on the economic sector, the distinction between large enterprises and SMEs was made based on various characteristics surveyed once a year as part of the ifo Business Survey. Accordingly, large enterprises are enterprises with: manufacturing: > 500 employees; construction: > 200 employees; trade and service sector: > 25 mio. Euro annual sales (cf. Borger and Sauer (2019)).



Table 2: Distribution of responses by position

	Total	Manufacturing	Construction	Trade	Service sector
Owner	51.9%	40.3%	46.6%	63.4%	57.4%
CEO / Authorized Officer / Board Member	33.8%	40.0%	33.4%	28.6%	31.5%
Head of Department	6.7%	9.9%	7.0%	4.0%	5.1%
Team Leader	1.3%	2.0%	1.7%	0.6%	1.1%
Clerk	4.2%	5.5%	9.1%	1.9%	2.7%
Other	2.1%	2.3%	2.2%	1.6%	2.3%

their counterparts at small and medium-sized enterprises (SMEs) with 57.6%. Accordingly, at large companies, managing directors, authorized officers, or board room members provide the responses more frequently (46.4%) than at SMEs (30.9%). When aggregated to the entire management level, it is consequently less likely that the answers come from executives at large companies (73.4%) than at SMEs (88.5%). Instead, at large companies (15.4%), it is more likely that department heads or team leaders fill in the questionnaires than at SMEs (6.3%).

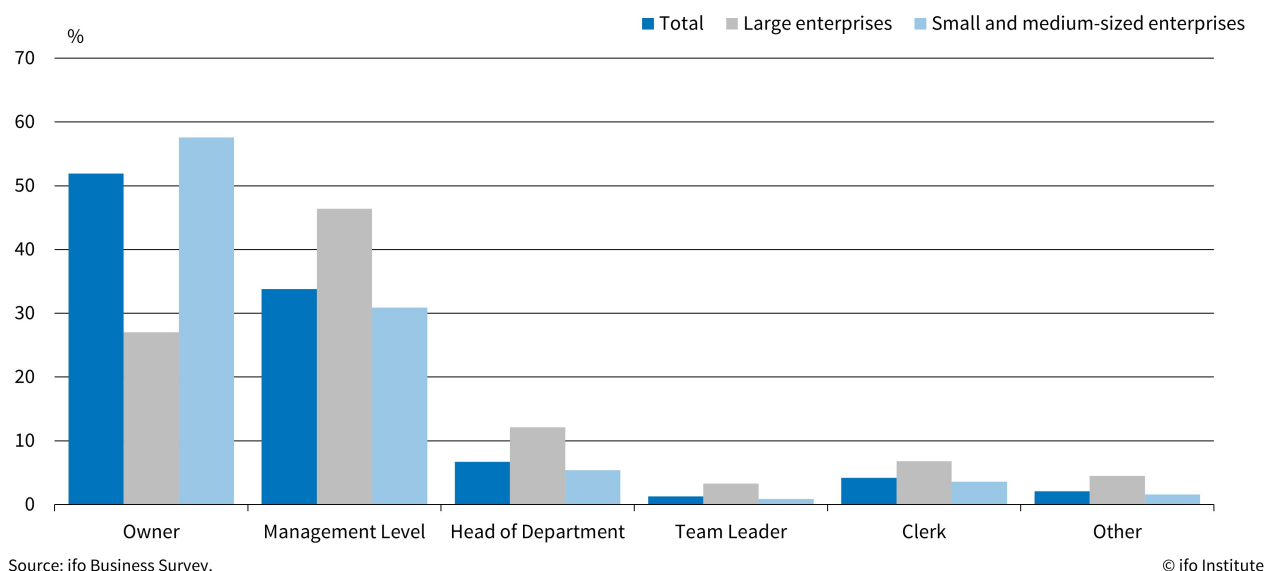
This can be partly explained by the fact that the ifo Business Survey is conducted at the product level of the company. This means that a large company with multiple divisions or locations may submit multiple reports. For these branches of the company, increasingly a department head or team leader will fill in the questionnaires.

Again, the values from the current study show an improvement to the results from 2018. There, CEOs were responsible for 67.1% of the answers from large enterprises and 85.0% of the answers from SMEs. Instead, the share of responses from department heads or team leaders was higher for both large companies (20.6%) and SMEs (8.6%) than it is in the present study.

Further, we differentiate by participation mode.<sup>6</sup> That is, we aggregate the data for participation via paper and online questionnaire. One can see that more answers come from management if the survey is filled in on paper (84.6%) than if it is filled in online (78.3%).

<sup>6</sup>Currently, around 80 percent of all companies in the panel answer the online questionnaire while the rest receives a paper questionnaire.

Figure 1: Position of the Person Answering the Questionnaires by Firm Size



Also, if the survey is answered on paper, it is more likely that the owner (58.5%) responds to the questions than if it is filled in digitally (50.1%).

Family businesses play an important role in the German economy.<sup>7</sup> They account for significantly more than half of the companies in Germany. In February 2023 the participating companies were asked in the ifo Business Survey whether they would describe themselves as family businesses. About three-quarters of the companies described themselves as such. For family businesses, mainly the owners respond. The share of 61.4% is noticeably higher than for non-family businesses. Here, the owners are usually much more involved in operational business. For non-family businesses, in contrast, there are more responses from CEOs, authorized officers, and board room members (43.1% to 28.1% owners).

<sup>7</sup>See Garnitz, von Maltzan, and Wohlrabe (2023) and literature cited therein.

### 3 Concluding remarks

Overall, it can be stated that mainly people from the top management of the participating companies answer the questionnaires of the ifo Business Survey. This applies across all economic sectors. Compared with the 2018 survey, the results of the study even show a slight increase in the response rate from management. This means that an important prerequisite for reliable responses that can be aggregated into valid economic indicators and used for high-quality research with the microdata has been met. The formulation mood in German board rooms is in fact accurate.

The microdata from the supplementary questions - as well as all other microdata from the ifo Business Survey and further surveys of the ifo Institute - are available to researchers free of charge for in-depth analyses at the LMU-ifo Economics & Business Data Center (EBDC) (Abberger, Becker, Hofmann, and Wohlrabe (2007), Becker and Wohlrabe (2008), or Sauer, Schasching, and Wohlrabe (2023)).

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# Appendix

Original formulation of the questions in German:

1. In welchem Bereich Ihres Unternehmens / Betriebs wird der Fragebogen für die ifo Konjunkturmfrage normalerweise ausgefüllt?

- Geschäftsführung / Betriebsleitung
- Finanzen / Controlling / Buchhaltung
- Vertrieb / Marketing
- Produktion
- sonstiges, und zwar: \_\_\_\_\_

2. Welche Bezeichnung trifft auf die Position der üblicherweise ausfüllenden Person am ehesten zu?

- Inhaber(in)
- angestellte(r) Geschäftsführer(in) / Prokurist(in) / Vorstandsmitglied
- Abteilungsleiter(in)
- Teamleiter(in)
- Sachbearbeiter(in)
- sonstiges, und zwar: \_\_\_\_\_