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In his April 2018 letter to shareholders, Amazon CEO Jeff Bezos wrote, "One thing I love about customers is that they are divinely discontent. Their expectations are never static – they go up. ... You cannot rest on your laurels in this world. Customers won't have it."

and converting new customers. Public concerns regarding climate change and sustainability are pushing real estate companies to reimagine their role in our developing cityscapes. Decentralization in the energy transformation is creating new players and new platforms for the delivery of renewables.

Here at ESMT Berlin we are also embracing change and growth.

We have, for example, sold our campus at Schloss Gracht, effective November 20, 2018. This decision was not easy, as Schloss Gracht is and will remain a significant piece of our

## EDITORIAL

Under the theme "Business Models: Upgraded," this issue of the ESMT Update explores how this phenomenon is playing out across the business landscape. How have digitization, smartphones, and internet connectivity changed consumer behavior and brand engagement? How are companies and their executives answering the call to provide new, improved, and future-ready versions of their products and services?

In this edition, we see three such examples of how changing business models have transformed traditional sectors. While "freemium" pricing schemes are well known in the app and gaming spaces, well-established companies like the *New York Times* and Microsoft are looking at its potential for attracting

history. As part of this strategic decision, we will place our focus within Germany on our campus in Berlin and continue to strengthen our international and digital activities. All employees at Schloss Gracht will receive an offer of employment.

Moreover, we looked to our mission statement and the pillars upon which we have grown the school. With input from key stakeholders – alumni, board members, faculty, staff, and students – we sought to reflect better our stated ideals as well as our core competencies in research and teaching. We have refined the pillars to be leadership, innovation, and analytics. Our updated mission is:

*From the heart of Europe, we create and impart new knowledge to advance business and society. We develop entrepreneurial leaders who think globally and act responsibly.*

I hope that you share our "divine discontent" and that the stories of this edition inspire your own work. ■



**Jörg Rocholl**  
President, ESMT Berlin



ESMT Update  
06/18

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Editorial

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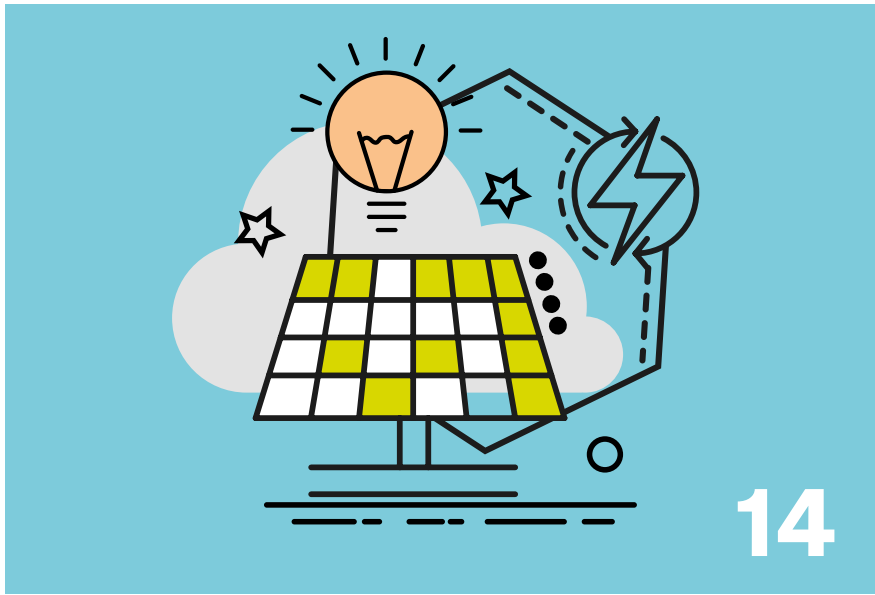
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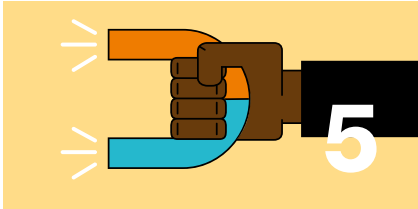
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Nothing is Free

Data-driven optimization unlocks freemium business models' real potential.

Digitization has a tremendous impact on the conduct and the economics of business as it has the power to transform virtually every step in the value chain of almost every industry. Most visibly to the public, digitization has transformed consumer software including video and content-related industries including publishing of text, music, and videos. In particular, long-established pricing schemes are being overturned by distributing content in a digital fashion via the internet and through mobile applications (apps). Digital content and products more generally are characterized by high cost to produce the first copy or version. The marginal cost of (re)production and distribution then tend to be close to zero, however. This particular cost structure has given rise to freemium business models, i.e., hybrid pricing schemes that combine the virtues "free" and "premium": customers are allowed to use a basic version of a product for free without any time restriction but have to pay an access fee if they want to access premium features.

Freemium is ubiquitous

Freemium business models are appealing for consumers. Compared to the traditional buy/sell system model, freemium allows consumers to sample a product not only for a limited period (as test versions in the buy/sell model typically do) but perpetually. The exact specification of freemium pricing schemes depends on the product context and different examples abound. Media companies frequently implement freemium models to monetize their content on the internet. In 2011, the *New York Times* moved from

publishing their content online for free to a freemium business model using paywalls; users exceeding the limit of 20 articles per month were required to pay for a subscription. Voice-over-IP (VoIP) services such as Skype offer VoIP calls for free but charge for premium features such as voicemail, messaging, or calling (mobile) phones. Cloud-based data storage services such as Dropbox offer a

Free features are a powerful marketing tool and often allow companies to attract new users and scale-up novel services or products without devoting large budgets to ad campaigns.

limited amount of storage for free but charge subscription fees for increased volumes. In 2015, Microsoft released apps of its MS Office Suite that allow consumers to use a set of features for free while access to the full functionality requires a subscription. Freemium also is ubiquitous in gaming where users are allowed to play a certain amount of levels for free while additional levels and other in-game items have to be purchased. Recent statistics indicate that freemium accounts for 95 percent of Apple App Store revenue and 98 percent of Google Play Store revenue. The "app economy" - defined as all business activity on different app stores - is expected to reach a volume of 100 billion USD by 2020. From a company perspective, going freemium can be an effective strategy for customer acquisition and the monetization of their digital products: Free features are a powerful

marketing tool and often allow companies to attract new users and scale-up novel services or products without devoting large budgets to ad campaigns.

**More than pricing**

Despite this obvious appeal, freemium models are still poorly understood. Many firms find it challenging to implement a specific design of a freemium model, which is maximizing the business impact of their product. In contrast to the already challenging task of setting a price that maximizes profits or revenues in traditional business models, freemium requires firms to make more decisions simultaneously.

In fact, setting up freemium business models requires companies to carefully consider three main parameters: one, how much (and what) to give away for free; two, how

of free users that upgrade to the premium version. As advertising has become a negligible source of income in most freemium business models, customers of the premium version are the most important (if not the only) source of income. This makes the conversion rate a key metric in the design of freemium models.

Typically, conversion rates for internet-based products and services range between 1.5 to 5 percent of all users. Giving away more free features reduces this already low rate even further.

**How much should we charge?**

In addition to differentiating free features from premium ones, firms have to set a price for those premium features. As in conventional business models, higher prices reduce conversion rates but increase profit per freemium user. In some cases, setting a price for premium features is equal to setting one global price (for instance, if the payment of a subscription fee allows users to access all premium content) but can also amount to setting a bundle of different prices if different premium features are sold separately. For instance, Skype is selling various premium features including voicemail, unique phone numbers, and different calling rates separately as well as in bundles.

**How do we leverage free users?**

In a freemium world, companies have to learn not to consider free users as free riders. Rather, they have to be strategic to harness the value of consumers who like their product even if they have not been converted to premium customers (yet).

A large base of free users can deliver value to a freemium model primarily via two channels. On the one hand, having a large base of active users increases a product's chances to be listed in the "most popular" or "most downloaded" ranking of app stores. A listing in these rankings is of high value as it almost automatically boosts the number of new users that discover a product by browsing these lists. "Most popular" rankings hence bring in new users at zero cost. On the other hand, existing (free) users often recommend a product to their peers who then try it out. Again, this allows companies to acquire new users at zero cost. So existing

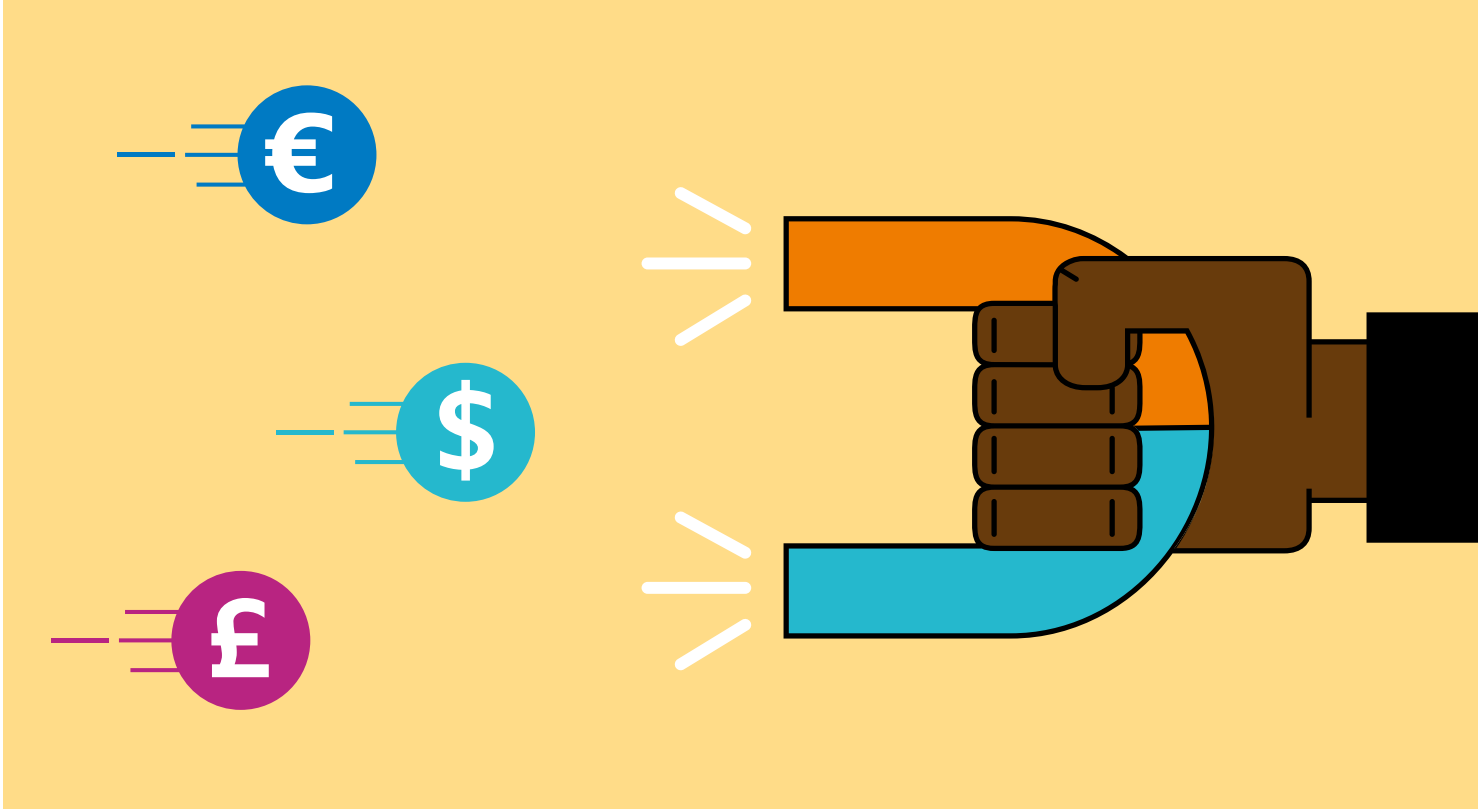
much to charge for premium features; and, three, how to design the product so that existing users attract novel users. Complicating matters, companies need to find answers to these three key questions simultaneously because they interact with each other.

**How much should we give away?**

A crucial choice in any freemium model is the selection of features – how many and which – to give away for free. More free features make a product more appealing and attract more users, which is particularly important in situations where companies seek to quickly scale up their product and acquire a large user base in a short period.

Increasing the number of free features, on the other hand, typically reduces conversion rates. Conversion in this context refers to converting free users into paying customers; the conversion rate is the number

**A crucial choice in any freemium model is the selection of features – how many and which – to give away for free.**



users bring in new users – some of which have the potential to be converted into premium customers. Many successful freemium models include built-in reward mechanisms that create an incentive for existing users to recommend a product. For instance, Dropbox rewards existing users with additional free storage space if they attract new users to the service.

**Solving the freemium puzzle**

When designing freemium models, companies must take into account how those three parameters interact with each other. First, giving away more features for free increases the attractiveness of a product per se and facilitates initial acquisition of (free) users. This can create a virtuous cycle: a larger base of free users is likely to attract more new users via recommendation or "most popular" listings. This, in turn, leads to a bigger user base, which attracts even more new users – all of which can potentially be converted into premium users.

Second, rewarding free users for attracting new users nurtures the virtuous cycle. However, giving too many rewards might crowd out conversion. For instance, Dropbox observed users to strategically acquire novel users in order to increase their amount of free storage and to avoid upgrading to the premium version.

Third, increasing the number of free features reduces conversion rates as a larger share of existing users will be able to satisfy their needs by relying on free features exclusively.

Finally, the price set for premium features interacts with conversion rates (higher prices reduce conversion), user acquisition (higher prices reduce the likelihood to attract free users), and the chances that existing users attract novel users for free (higher prices have been found to lower recommendation rates of a product to peers).

**Experiments drive results**

To date, there is only sparse academic literature that can offer guidance to a structured or even analytical approach of finding profit-maximizing designs of freemium models. Most successful companies approach the challenge of designing freemium business models in a data-driven manner by testing different parametrizations of freemium models in experimental settings. Users are randomly allocated to versions of freemium designs that differ only in one respect. Comparing relevant outcome measures, most importantly conversion and recommendation rates, allows companies to identify specific designs that work better than others. This approach is well known as A/B testing. Most often, a single A/B test will not do. Successful freemium designs are refined



over time by running a whole sequence of multiple experiments.

Case-study evidence from video gaming

In order to demonstrate the benefits of an experimental approach to freemium design, we analyzed data from an A/B test conducted in collaboration with a Berlin-based provider of video games for mobile phones and tablets. In our experiments, a total of about 300,000 users of a highly successful video game were randomly assigned to three different versions of freemium designs. Compared to the default design originally implemented by the company, we varied the number of free features (the number of levels users can play without paying) in one test scenario. In a second test scenario, we varied the rewards for attracting novel users but kept the number of free features constant. In this setting, users were rewarded with an increase in the number of free features after attracting three new users.

A statistical analysis of how the 300,000 players used the game over a 14-day window allowed us to identify how different freemium design choices affect important outcomes including conversion rates and the number of new users attracted. Our analyses provided clear evidence that – in this specific example – conversion rates could be significantly increased (by more than 20 percent) by offering fewer features for free without negatively affecting existing users’ efforts to attract novel users. On the other hand, reducing incentives for attracting novel users did not affect conversion rates but drastically reduced the number of new users that were attracted by existing users. This example highlights how experiments can help to optimize freemium models based on hard evidence rather than assumption or “guesstimation.” ■

Stefan Wagner  
Associate Professor of Strategy and Director  
of PhD Studies, ESMT Berlin



# Building Sustainability into Real Estate

Both residents and shareholders enjoy the right returns when real estate companies collaborate and innovate for environmental solutions.

Did you know that buildings are responsible for 20 percent of CO2 emissions and 40 percent of energy use? According to a 2016 report by the World Economic Forum, emissions which are caused by buildings and new construction are expected to grow. In order to achieve the average two degrees Celsius limit for global warming, however, building emissions must be reduced by nearly 40 percent by the year 2030.

Because of increasing demand for new homes, the situation is dire. The Oxford Economics’ Global Cities 2030 report shows that rapid human population growth will need 260 million new residential properties and 540 million square meters of office space in the largest 750 cities by 2030. Yet what we build today will have long-term implications for humankind and the planet. According to the fifth assessment report of the Intergovernmental Panel on Climate Change, “The very long life-cycles of buildings create risks of energy use ‘lock-in’ with the effects of low ambition today playing out for decades.”

For almost eight years, ESMT Berlin has been facilitating the Sustainable Business Roundtable, or SBRT. Adidas, ING, Siemens, Unilever, and other international member companies have created a viable corporate agenda for sustainability. In contrast to these companies, businesses in the real estate sector have been rather slow to adopt new and sustainable ways of operating. In fact, according to research published in 2017 by *Corporate Knights*, only three of the Glob-

al 100 Most Sustainable Corporations in the World are real estate companies. Moreover, according to the 2017 Global Real Estate Sustainability Benchmark (GRESB) survey of over 850 real estate entities, the average score for environmental, social, and governance performance was 63 out of 100. While comparatively higher than the previous year’s score (60), it is still too low to achieve sustainability.

What is holding the real estate companies back and how can ESMT, a business school, change the situation? Last year in October, the Center for Sustainable Business at ESMT and students embarked on an action-oriented research project with the real estate company ZIEGERT. Their recommendations illuminate the path towards sustainable real estate.

“According to research published in 2017 by *Corporate Knights*, only three of the Global 100 Most Sustainable Corporations in the World are real estate companies.

Engage stakeholders proactively for risk reduction

Anyone who has lived in a major city in the past twelve months – be it Barcelona, London, or San Francisco – has been exposed to discussions on gentrification, a reality of in-



creasing rents and social resistance to tourism or international migration.

In Berlin, ESMT’s hometown, “Yuppies raus!” (Get out, yuppies!) and “Ich bin Berliner. Du nicht!” (I am from Berlin. You aren’t!) are graffitied on walls. In this discourse, the real estate companies are perceived as villains; according to one Berlin news report, individual real estate agents have even been targeted with death threats and wanted posters. Municipalities are heeding the disgruntlement voiced by residents. They have introduced legislation to curb appreciation of real estate rents. In Berlin, approximately one-third of its central districts now belongs to so-called social conservation areas, in which property developers must go through a special type of project approval process in order to demolish, modify, or change the use of residential buildings.

Examples of business projects that have been stalled or left unfinished due to stakeholder engagement issues are numerous. Companies often assume the best case scenario and engage stakeholders in later phases of project development. This is especially true for companies operating in domains that

visibly impact stakeholders’ lives, such as the energy or infrastructure sectors. But all types of companies have found themselves in similar situations. HEINEKEN, for example, tried to install four wind turbines at its Netherland’s brewery site to generate more renewable energy. It took seven years to accomplish because stakeholders opposed having wind turbines in their neighborhoods.

“When firms fail to establish good relationships with their stakeholders, it can lead to increased conflict and reduce stakeholder cooperation,” wrote Tensie Whelan and Carly Fink, of the Center for Sustainable Business at NYU’s Stern School of Business, for *Harvard Business Review*. “This can disrupt a firm’s ability to operate on schedule and budget.”

To avoid such risks, real estate companies need to focus on building good relationships with key stakeholders. ZIEGERT, for example, initiated projects with Berlin community groups that focused on education, integration, and culture. The company moved from confrontation to dialogue with directly affected stakeholders, who could then give input on improving development plans. As a result, wrote ZIEGERT in its latest condominium report, “new structures no longer land like UFOs in their respective neighborhoods.”

**Foresee stakeholder needs**

Besides risk reduction, proper stakeholder engagement can create other benefits for businesses, such as an ability to learn from stakeholders, co-generate creative solutions, and get their support. “If you anticipate, and you get into dialogue, and you listen more carefully to those signals, and you become engaged with people, then you will learn a lot of things which you can apply more generally,” said Robin Aram, former vice president of external relations, policy, and social responsibility at Royal Dutch/Shell. “You’ll get closer to your customers and indeed your business will do better.”

In the real estate industry, learning from stakeholders creates great opportunities to innovate. Anecdotal evidence from the collaborative ESMT-ZIEGERT research project indicates that real estate clients are very interested in sustainability solutions – be it sustainable paint in their apartments, sus-

tainable retail spaces for their supermarkets, or – in the case of one ESMT professor who recently purchased a Berlin home – outlets for electric cars in their garages. “This would have made me buy an electric car.”

The opportunities for positive social and environmental impact in the real estate sector are even greater. Earlier this year, for example, the German-based global food discounter Aldi announced its plans to build affordable housing atop their Berlin supermarkets. Offering developments for better and sustainable living/working in cities is on the agenda of many municipalities. Indeed, real estate companies have a great opportunity to drive topics like smart cities or e-mobility, but this will require collaboration with players as diverse as retailers, car manufacturers, and mobile broadband providers. If done well, such initiatives have the potential to shape sustainable consumption and sustainable cities.

**Generate shared value**

Berlin is growing. Its diversity, its growing entrepreneurial scene, and its high-quality education have attracted almost 50,000 new inhabitants each year for the last five years. Its real estate investors and brokers, who are blamed for increasing rents and related social problems, are facing growing resistance. Yet residents and real estate companies need to agree on approaches to these challenges.

For real estate companies, there is only one way – to create shared value for all stakeholders: economic, environmental, and social. If the companies focus solely on generating economic value, the so-called tragedy of the commons – whereby independent economic actors nevertheless collaborate in their mutual destruction – becomes inevitable. On the other hand, “doing good” alone is not going to generate competitive advantage in the long run.

“Business value and social or environmental values can go hand in hand,” writes corporate sustainability scholar CB Bhattacharya. “Simply put, companies can no longer afford to be where they had their glory days and maximized business value while depleting socio-environmental value. To have the license to operate, creating positive social and environmental value is a must.”



When firms fail to establish good relationships with their stakeholders, it can lead to increased conflict and reduce stakeholder cooperation.

Moreover, “businesses can generate economic value by identifying and addressing social problems that intersect with their business.” (Whelan, Fink) These can be identified through a detailed mapping of the problems that trouble individual and business clients, communities, local authorities, and other stakeholders. Company employees can also play a valuable role in the process; they need to have a say as to what the issues are and what they can do.

Take, for example, Sweden’s first net zero residential neighborhood as developed by Skanska, a multinational construction and

Figure 1 Skanska Solallén zero-energy neighborhood, from data collected at <http://www.hugbo.hu/hirek/zeroenergy-lakopark-a-skanska-tol/3178?lang=en>

**SWEDEN’S FIRST NET ZERO ENERGY RESIDENTIAL NEIGHBORHOOD**

“Close cooperation between all project partners was vital.”  
Skanska, 2017



- Net zero buildings that generate more energy than they use
- 98% of construction waste diverted from landfill
- 37% reduction in carbon footprint
- 45% more water efficient than typical Swedish homes
- Zero hazardous and unsustainable materials used



- Contributing to sustainable urban development in Vikaholm
- Improved indoor environments and wellbeing
- Occupational health and safety focus



- 50% discount on land value given by municipality
- Good relationship with municipality for future projects
- Financial savings for owners; potential higher property values
- All homes sold prior to completion



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development company. Its success, as illustrated in Figure 1, shows that companies can reap direct and indirect benefits from sustainability and generate value for stakeholders. Directly, companies reduce costs through efficient use of resources and emission reductions. Their customers enjoy financial savings by occupying energy-efficient properties that also generate higher sales values. Indirectly, companies can improve their economic performance and foster innovation by working closely with stakeholders (for example, in the Skanska case, a discount on land and an improved relationship with municipalities). Sustainable buildings are associated with better wellbeing and health, indirect benefits for residents.

### Join forces

No single player in the real estate sector can have a positive impact without collaboration. Businesses and other stakeholders must cooperate to solve complex problems.

ESMT's Center for Sustainable Business has launched a platform to do exactly that – facilitate dialogue among the different play-

ers of the real estate arena – investors, developers, and sellers alike. To participate in this Realtors Sustainable Business Initiative, contact [joanna.radeke@esmt.org](mailto:joanna.radeke@esmt.org). ■



**Joanna Radeke**  
is the manager of the Center for Sustainable Business at ESMT Berlin.



**Alexander Boether**  
is the group representative and head of sustainability and responsible investments at the ZIEGERT Group.



**Alexandre Bezzera**  
is a graduate of the MBA program at ESMT Berlin. After consulting with a team of MBA students on the ESMT-ZIEGERT project, he now works for the ZIEGERT Group.

# Seeing the Light

Entrepreneurs in renewable energy supply are raising capital and lifting communities worldwide.

Much of the first phase of the energy transformation is complete. Globally, we have shifted our focus from a firm reliance on coal, nuclear, and natural gas to truly imagining a future fueled by renewable energy sources. In countries such as Germany and Denmark, the first phase of the transformation, characterized by extensive subsidies for and surging

“Innovation and unconventional ideas are paving the way to new frontiers of our energy systems.

private investment in renewables as a niche, has given way to Phase II, where power generation by renewables represented more than 30 and 40 percent of these countries’ energy supply, respectively, in 2017.

Civic power, especially, has become a significant market force, complementing and competing with traditional government and corporate players in the sector. Here, a decentralized energy revolution – one made possible by the liberalization of the energy sector – creates opportunities for new players, new platforms, and new strategies for (literally and figuratively) powering the grid.

Our new book, *Decentralised Energy – A Global Game Changer*, will be released in autumn by Ubiquity Press London. Along with our co-authors Antony Froggatt, a specialist on energy security at Chatham House (the

Royal Institute for International Affairs), and Catherine Mitchell, a professor of energy policy at Exeter University, we examine the two major approaches driving the energy transformation. Our co-authors analyze lead markets in terms of decentralized energy generation from a regulatory (top-down) perspective, whereas our focus is on individual businesses and startups (bottom-up), who are embracing risk and agility and radically changing the energy sector business model. With the emergence of decentralized energy, such as wind, solar, or biomass, as a major source for power generation, renewables are becoming part of an integrated service solution.

As our excerpted interviews with energy startup leaders show below, innovation and unconventional ideas are paving the way to new frontiers of our energy systems, both in the industrialized world as well as in developing countries and emerging economies.

**Sebastian Groh, SOLshare**

Through its peer-to-peer solar energy trading platforms, SOLshare has created a revolutionary approach to affordable solar electricity delivery for consumers in Bangladesh and beyond.

In Bangladesh, there were already lots of people sharing their electricity, for example by going to a neighbor and asking them to charge a phone, or there was someone who did this on a commercial basis and took a certain fee for that. But we also saw people connecting their households with cables to their neighbors and paying per hour of light bulb use. They had to monitor this at all times, though.

Translating these fees into kilowatt hours opened our eyes: From \$3.50 up to \$10 per kWh is what we economists call the energy-poverty penalty, and what we entrepreneurs call a massive market opportunity. Combining these two insights creates an opportunity in which everybody can win.

People are willing to share and pay for power, and there is excess electricity available. Plus, there are still many households that cannot afford a solar home system, despite the micro-credit schemes. The sharing scheme can be designed to be inclusive enough to make it affordable for them as well, while turning other prosumers into local energy entrepreneurs.

In Bangladesh, there is an extremely high density of these solar home systems. Our idea was to connect these systems and, based on the connections, to increase overall capacity through synergy effects. At the same time, in order to achieve a certain level of diversification, we would tap into the unused 30 percent potential. We started from this idea and called it “swarm” electrification, in which the swarm is more powerful than the individual unit and we would have peer-to-peer communication. Each system speaks to the next system. If one system drops out, nothing happens – a fairly resilient model. In contrast to a conventional mini-grid, which has a determined system size, our model can also grow organically.

If we interconnect solar home systems and incrementally add more generation and storage sources, we will have a much better business case because our capital expenditure is limited to the cabling from house to house, as well as to a bidirectional meter, which we call the SOLbox. It essentially works as a net meter. Whenever a household is a net consumer, its balance decreases – not in kilowatt hours but in Taka, the Bangladeshi currency. Whenever a household is a net producer, the balance increases. The balance is directly mirrored on the mobile phone in a mobile money wallet. Then that money can be used in real time for payments of all sorts, not just energy. That is the biggest value proposition for our customers.

**Klara Lindner, Mobisol GmbH**

From a two-man startup to a company with over 750 employees in just 7 years, Mobisol creates sustainable and affordable renewable energy solutions for impoverished communities.

Based on our field research, we knew what the product of the pilot phase should look like: complete all-in-one kits big enough for real appliances (to fulfill willingness to pay), plus credit financed over three years (to ensure ability to pay). We wanted to include after-sales (to ensure long life), and favored ownership rather than rental solutions (to make sure people take good care of the product). So we designed a first offer that we could test with real customers: We went for three different PV all-in-one systems (60Wp, 120Wp, 200Wp) and a 36-month credit and technical services agreement.



For this, a second hardware prototype was developed, now fully functional. We could remotely turn the PV system on and off based on incoming mobile money payments and we could gather performance and usage data in real time to foresee maintenance activities through the modem inside the system. We used material from the Tanzanian DIY store for the casing, which was not only cheap but ugly enough so that our pilot phase customers would understand that this really was only a first shot and that we would warmly appreciate their feedback.





With our local partner organization, we created a concept for awareness-creation, marketing, and sales within a few months and started our pilot phase with 100 paying customers in October 2011 close to Arusha, Tanzania.

The product itself was clear now, but the remaining question was how to realize the business model in a viable way. What are the

So we decided to bring local village technicians (who until then had been repairing houses, bikes, or phones) into the model. Through a two-week program at the newly created “Mobisol Akademie,” they were trained and certified as Mobisol Installation Technicians. After gaining some experience, the technician could later take another two-week training course and become a maintenance technician.

The real-time performance and usage indicators from each system fuel an online database, which is our backbone for maintenance. A web-based interface makes it possible to coordinate technical activities in the village in an effective and viable way.

With that concept, we not only arrived at a feasible solution for us in the end, but we also made our customers even happier (they know and trust their local technicians more than foreigners) and it created jobs in the village.

#### Lars Krückeberg, Solarkiosk

Solarkiosk enables the economic development of base-of-the-pyramid (BoP) communities through the provision of clean energy services, quality products, and sustainable solutions.

The idea of providing decentralized energy via a kiosk resulted from the observation that informal markets exist all over sub-Saharan Africa, including areas beyond the grid, and kiosks are a familiar feature even in the most

remote regions. We looked at the idea of a kiosk from a purely technical point of view: What type of (not too heavy) building could be manufactured on an industrial scale, such that it could be transported anywhere, erected very easily, and, once erected, produce power in a safe and sustainable manner while requiring low levels of maintenance? You have to imagine it as a “power room” in which other commercial operations are also possible.

We started with the assumption that we have to convince people to come to the kiosk, which means we need traffic. So we have to offer something that people need. Once they have arrived at the kiosk, they realize there is light at night and see that solar power actually works. Meanwhile, we can offer cold drinks, play music, and provide a social space.

We opted for fast-moving consumer goods and special products related to hygiene – one pillar of our sales strategy. We had to start becoming retailers as well as experts in marketing and things we never dealt with before. We founded a joint venture with a family in Botswana that operates one of the largest franchise chains in sub-Saharan Africa – real retail professionals. They showed us how retail in Africa is functioning. We sharpened our understanding of how to maintain close ties with our operators. We do not employ them – we would rather create a partnership with them and formulate precise contracts. We would not sell our kiosks because they would be too expensive. However, we would enable local entrepreneurs to start a business with it.

The second range of products relates to solar energy. That is where the impact actually starts! From a pocket lamp to a full-fledged home lighting system, we provide energy solutions for the residents.

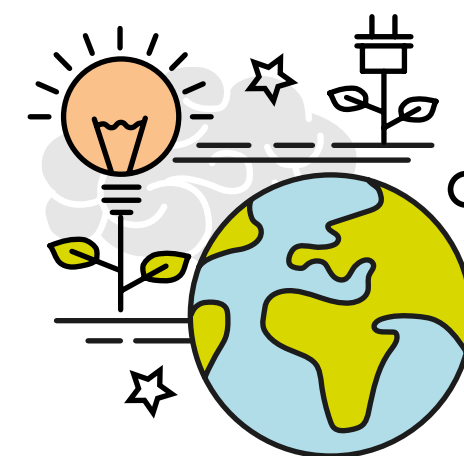
The third business line for our kiosks is energy services. When the kiosk generates electricity to operate its point of sale – including having the lights, a small computer, and a solar fridge on – the kiosk can sell its excess production to other businesses connected to the kiosk. Alternatively, we can use the excess electricity for entertainment, for example for a TV. The TV can then be transformed into a small cinema, and the operator of the kiosk can charge an entry fee to show football. Wherever a kiosk is established, other businesses emerge too. Now we are learn-



Wherever an energy kiosk is established, other businesses emerge.

ing how a kiosk is a nucleus and trigger for other ventures, such as rental space, a cinema, and internet connectivity.

In those areas, quantum leaps are possible. It is a positive development to provide these people access to goods and information. But it is also a gigantic business opportunity. For that type of infrastructure, a person in charge has to be on site to market and sell this offer. People then also need devices to access the internet, and these devices have to be charged. When spending all these



billions in technology, investors expect these services to emerge automatically, but that is not the case. Rather, they have to be initiated by organizations such as Solarkiosk. We are an analog road to market, but we pave the digital road to market. ■

*Excerpted and adapted from “Decentralised Energy – A Global Game Changer,” edited by Christoph Burger and Jens Weinmann of ESMT Berlin and their co-editors Antony Froggatt (Chatham House) and Catherine Mitchell (Exeter University). To be published in fall 2018 by Ubiquity Press London and available for free download at <https://www.ubiquitypress.com>.*



We not only arrived at a feasible solution, we also made our customers happier.

key activities and key resources on our side? What do key partners do? How should we organize the high-quality and cost-efficient installation and maintenance of the PV systems, and distribute these efficiently in rural East Africa?

Our first move was to develop a plug-and-play kit that customers could install themselves. In co-creative sessions with real customers, we even managed to draft an accompanying manual. But we came to realize that even though our customers were now able to do the installation themselves, they simply did not want to. “This is like having to put the engine into your new Mercedes-Benz!” said one of our pilot customers. People wanted someone knowledgeable to do the job.

# Opening of the Hidden Champions Institute

November 22,  
2017



Pictured, top:  
Jürgen Fitschen,  
Chairman,  
Deutsche Bank Stiftung;  
bottom:  
Vera-Carina Elter,  
Partner, KPMG  
Page 19, top left:  
Alexander Knauf, Managing  
Director and General Partner,  
Knauf Gips KG, with Bianca  
Schmitz and Johannes Habel,  
HCI, ESMT Berlin;  
top right:  
Ulrike Helbig, guest and  
ESMT alumna;  
bottom:  
Dietrich Loll, guest;  
Jörg Ritter, Partner,  
Egon Zehnder  
International GmbH;  
and Herrmann Simon,  
Founder, Simon,  
Kucher & Partners



“

The Hidden Champions Institute focuses on topics central to the German Mittelstand, such as innovation, digitalization, and governance. The institute thereby draws upon strengths of ESMT and supports hidden champions to develop organizationally, strategically, and innovatively.



# On #metoo and business schools

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Covering issues of morality and sustainability only in separate business school programs would be highly dysfunctional. This would cultivate a small number of people who are sensitized to these topics and who have internalized the corresponding tools, concepts, theories, but who are then – in the real world of business – laughed at, marginalized, and isolated.



**Urs Müller**  
Lecturer and Head of the  
Practice Group Consumer Goods and Retail, ESMT Berlin  
In an interview with Bayerischer Rundfunk Mitschnitt

# Is the Confidence Gap Between Men and Women a Myth?

New research counters the popular  
“lean in” message.

How working women are kept from positions of influence and power is by now well-documented by scientists and journalists alike. While the research has not been specifically remedy-directed, where gender-based bias has been discovered some have sought to counter it with HR policy changes, training, awareness campaigns, equal opportunity legislation, and more.

No small part of these counter-measures have been directed at women themselves. One especially pernicious message has been unchallenged for years: that female workers lack the self-confidence of their male peers and this hurts their chances at success. If they were less hesitant and sold themselves better, this logic goes, success would be theirs. Popular business writers thus advise women to “visualize success,” “take the stage,” “rewrite the rules,” and “think differently.” Famously, in 2013, Sheryl Sandberg, the chief operating officer of Facebook and a billionaire, published a book in which her advice for working women was to tell them to “lean in.” The following year, in *The Confidence Code: The Science and Art of Self-Assurance – What Women Should Know*, authors Katty Kay and Claire Shipman write, “Underqualified and underprepared men

don’t think twice about leaning in. Overqualified and overprepared, too many women still hold back. And the confidence gap is an additional lens through which to consider why it is women don’t lean in.”

Underlying all these messages is the belief that although the deck may be stacked against women as a group, individual women can break through the glass ceiling if they make certain choices: forego the trappings of femininity, learn the rules of the male-dominated working world, and assert themselves accordingly. In this framing, the aforementioned structural barriers are hurdles to be leaped over with proper mental training.

Yet, perhaps challenging common wisdom, recent research shows

ferences in self-reported self-confidence. That is, women in today’s organizations seem to see themselves as capable as men of succeeding in their professional roles.

In research with Margarita Mayo of IE Business School and Natalia Karelaia of INSEAD, I took a different angle on the confidence factor and its relationship to organizational influence. Regardless of how confident a woman feels, we focused on what we termed *self-confidence appearance* – that is, the extent to which others perceive a woman as self-confident. Using multisource, time-lag data from a male-dominated technology company employing more than 4,000 people worldwide, we sought to determine how much the appearance of

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While self-confidence is gender-neutral, the consequences of appearing self-confident are not. The “performance plus confidence equals power and influence” formula is gendered.

no evidence of a female modesty effect. In achievement-oriented domains, women rate themselves no lower than their male counterparts in leadership-related dimensions. Moreover, studies are finding no consistent gender dif-

ferences in self-reported self-confidence. That is, women in today’s organizations seem to see themselves as capable as men of succeeding in their professional roles.

We found that even among similarly high-performing workers, appearing self-confident did not translate into influence equally for men

and women. For women, but not for men, influence was closely tied to perceptions of warmth – how caring and prosocial they seemed. Moreover, women’s self-reported confidence did not correlate with how confident these women appeared to others.

While self-confidence is gender-neutral, the consequences of appearing self-confident are not. The “performance plus confidence equals power and influence” formula is gendered. Successful women cannot “lean in” on a structure that cannot support their weight without their opportunities (and the myth) collapsing around them.

Popular messaging about how women must change to appear more self-confident as a key to their success isn’t just false. It also reflects how the burden of managing a gender-diverse workplace is placed on the female employees themselves. Where their male colleagues are allowed to focus on their own objectives, women who are expected to care for others are shouldering an unfair load. This prosocial (double) standard does not appear in any job description but it is, indeed, the key performance indicator against which access, power, and influence will be granted to successful women. Men are held to a lower standard.

The takeaway is not, then, that women should forego developing the skills that build their confidence and bolster their performance. Instead, it is that organizational systems and practices should change so that women are rewarded equally. Companies can adopt processes, rules, and safety checks that ensure that all employees are being evaluated according to the same criteria. There are several actions that organizations can take for this purpose:

Make job requirements for success explicit. In particular, the HR department could systematically document the broad portfolio of skills (beyond technical expertise) required for success and disseminate such a

list among all employees. If employee warmth is desired – as might be healthy for a collaborative organizational culture – it should be made an explicit benchmark in employee development, hiring, and evaluation for men as well as women. Moreover, in sectors where women are deeply underrepresented, the explicit expecta-

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Only when organizations make active efforts to uncover gender biases and the processes that perpetuate them will they be able to become closer to the kinds of workplaces we believe in.

tion of prosocial skills can be helpful in both attracting female candidates and signaling their priority to existing personnel.

Monitor promotions and career advancement. The fallacy of meritocracy in male-dominated organizations is well-documented. Paying attention to implicit gender biases in promotion decisions is an important first step for organizations to develop more inclusive cultures. For example, often without making it explicit, performance appraisals contain nearly twice the amount of language about being nice and warm for women than for men. Our results imply that while self-confident men might pass the bar more easily, self-confident women will not unless they show a higher level of warmth. HR can monitor promotion decisions accordingly to avoid that talented women who do not conform to gender role prescriptions end up being penalized.

Highlight a wider array of role models. The stereotype of employees in male-dominated professions, such as computer science and engineering, is very narrow and relies on a common assumption: successful employees in these fields have

poor interpersonal skills but that this is perfectly fine because only their technical ability matters for being successful. Successful high-tech celebrities are therefore perhaps not surprisingly often portrayed in the popular press as male, bright, dedicated, and often with a lack of interpersonal skills. Organizations can try

to combat this is by elevating other role models, with a more varied range of skills and talents that can inspire a more diverse workforce.

Although no single study can provide a definitive understanding of gender biases at work, our results highlight the importance for organizations to monitor how high performing men and women are perceived – by their peers and especially by their supervisors – and how they progress in their careers. Only when organizations make active efforts to uncover gender biases and the processes that perpetuate them will they be able to become closer to the kinds of workplaces we believe in – where our talents and skills are rewarded fairly, regardless of gender.

Originally published in *Harvard Business Review* on March 26, 2018. ■

**Laura Guillén**  
Assistant  
Professor of  
Organizational  
Behavior,  
ESMT Berlin.



# Happiness doesn't need a why.

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Do you tend to treat yourself as a reward for a job well done or indulge spontaneously? We often assume that consumers would be happier when they indulge for a good reason, but the story is not as simple as the “you deserve it” ads would have us believe.

In a recently published paper in the *International Journal of Research and Marketing*, my fellow researchers and I looked more closely at the conditions within which indulging “feels right.” Our research showed that while high-control consumers may need a reason, low-control consumers are actually happier and more satisfied with their indulgent purchase when there’s no reason at all.



**Francine Espinoza Petersen**  
Associate Professor of Marketing, ESMT Berlin



# The Big Risk

**A joint European deposit guarantee would jeopardize the Economic Monetary Union.**

A euro zone budget, a European finance minister, a European deposit guarantee – the ideas from Paris and Brussels on the further development of the Economic and Monetary Union include an ever-increasing mutualization. The answer from Berlin? Due to the sluggish formation of the new government, there is hesitancy but also rising agreement. The term of the hour is risk sharing, which sounds much better than mutualization and now seems to be gaining the upper

hand over the previously equally valid principle of risk reduction.

What should be the next step: risk sharing or risk reduction? Nowhere is this question more explosive than in the debate on the European deposit guarantee. The idea is that a European “common pot” should be created from which depositors are compensated in the event of their banks’ financial crises. This pot would be able to provide more funds in such a case than the deposit insurance of a single state. Advocates attach great importance to this step in completing the Banking Union, while opponents regard it as a gateway to a far-reaching mutualization of risks in Europe.

The former fear of the continued existence of the euro is gone, stock markets are booming, growth is returning, and unemployment is falling. However, at second glance, one realizes that this is only part of the reality.

Public debt in many countries is still far too high and can only be considered as financeable due to the low level of interest rates. A large proportion of the European debt is financed by banks in these states. Many banks, often the weakest among them, hold a multiple of their equity in bonds issued by the countries in which they reside. If these countries come into payment difficulties, the banks will

be in trouble. They are also sitting on mountains of bad loans, which, according to the European Commission, amount to 950 billion euros. A much too high amount of government loans and too many bad loans – a toxic combination. In addition, these stocks are not equally distributed in Europe, but are concentrated primarily in the former and current crisis-stricken countries. In Italy, more than one in ten credit claims are deemed to be in default.

What is the likelihood that the high risks in individual countries would have to be absorbed by the joint deposit guarantee? Not small, already because of their amount. Added to this are weak insolvency laws and their inefficient application, a lack of political will to create conditions for stable banks, and a mild treatment of other creditors in the event of bank losses. A joint deposit guarantee in view of these risks would be more of a transfer mechanism than an insurance policy.

It would create a common European liability for imbalances whose

causes are largely the responsibility of individual states. In the end, the deposit insurance might be used for the over-indebtedness of individual states. In addition, there is another fundamental question: what would happen if the common deposit pot were not sufficient to absorb the incurred losses?

Demands for a European solution would then be close by, for example, enabling the deposit guarantee fund to borrow on the capital market or tap into the European Stability Mechanism (ESM). In this case, the way would not be far for a liability of European taxpayers for the abuses of individual Member States.

The common European deposit guarantee is more than a missing puzzle piece in the completion of the Banking Union. It raises the fundamental question of the responsibility of the individual states in the future architecture of the Economic and Monetary Union and thus of the unity of liability and control.

Its introduction would jeopardize the system as long as bank instability

is in part underpinned and progress has neither been made in reducing bad loans nor in limiting bank investment in government bonds. Moreover, incentives to reduce risk will decrease significantly once these risks are shared. The well-intentioned idea could inflict serious damage on the European concept. The deposit guarantee should be taken off the agenda and discussed when conditions are met. ■

*This article was originally published in German by Handelsblatt under the title “Großes Risiko”, January 25, 2018.*

**Jörg Rocholl**  
President,  
ESMT Berlin





# Sustainable Business Roundtable

## Implementing Sustainability Across the Company

### April 26–27, 2018



From the top left:  
 Ralf Pfitzner,  
 Head of Sustainability at  
 Volkswagen Group;  
 Frank Henke,  
 Senior Vice President, Global  
 Social & Environmental Affairs  
 at adidas;  
 Nanda Bergstein,  
 Director Corporate  
 Responsibility at Tohibo;  
 Ioannis Ioannou,  
 Associate Professor of Strategy  
 and Entrepreneurship at  
 London Business School;  
 Kaitlin Crouch,  
 Senior Consultant, Global  
 Sustainability at ING; Salvatore  
 Bernabei, Head of Global  
 Procurement at Enel



The Center for Sustainable Business at ESMT Berlin works with select industries on advancing their sustainability commitments. (See “Building Sustainability into Real Estate,” page 9.) The Center has created a world-class, peer-to-peer learning network of 24 global companies – the Sustainable Business Roundtable (SBRT). Members and guests of the SBRT meet biannually at ESMT to discuss sustainability challenges and opportunities.





# Of Note

## ESMT events, faculty, and research announcements

Visit of the Deputy Minister of Commerce of the People's Republic of China (MOFCOM) at ESMT Berlin, April 19, 2018

### Dahlander appointed Lufthansa Group Chair in Innovation

Prof. Linus Dahlander will hold the Lufthansa Group Chair for Innovation at ESMT. With this chair, the Lufthansa Group intends to support research and teaching in the field of innovation at the school. The ceremony took place on May 16 on the Berlin campus. (April 20) ■

### MBA students found first Net Impact chapter in Germany

Students from the MBA program at ESMT have founded the first Net Impact sustainability chapter in Germany. The new chapter – currently made up of students, faculty, alumni, and staff from ESMT but also open to anyone outside – will work with other business schools to create an active platform to discuss sustainability issues and to take action. Net Impact, a global organization focused on using business skills to combat social and environmental problems, has more than 100,000 members from 324 chapters in 40 countries around the world. (April 18) ■

### Annual figures, R&D report demonstrate excellence

ESMT's annual statement for 2017 documented a positive net income as well as growth in the number of students and participants. Some 439 students were enrolled in degree programs and 3,372 participants attended executive education programs. In comparison to 2016, overall earnings increased in 2017 to

€31.4 million and operating earnings grew by 10 percent. ESMT has recorded a positive net income every year since 2010. ESMT's R&D Annual Report 2017 also shows the high-quality research output of the school. Last year, ESMT faculty members published 19 peer-reviewed articles, seven of which appeared in the most influential A/A+ journals such as *Academy of Management Journal*, *American Economic Review*, *Management Science*, and *Organization Science*. (April 13, February 13) ■

### ESMT and the Doha Institute launch dual degree program in Qatar

The School of Public Administration and Development Economics at the Doha Institute and ESMT are offering a dual Executive Master of Business Administration/Master of Public Administration (Executive MBA/MPA) degree starting in fall 2018. The new two-year, English-language program will be taught by the two universities at the Institute's campus in Qatar. The program will help experienced leaders from private, public, and nonprofit sectors to further their management skills. While leading universities in the US have been increasingly forging such alliances, this is the first time such a program has come to the Middle East. (March 23) ■

### Dr. Sack appointed dean of Executive Education

Norbert Sack has been appointed dean of executive education at ESMT. Sack, previously partner at the international professional services firm Egon Zehnder, joined ESMT on January 1, 2018. He succeeds Prof. Olaf Plötner and Christoph Burger, who led ESMT executive education into the global top 10. Sack will be joined by Prof. Konstantin Korotov, who has been promoted to full professor and named associate dean of executive education. Educated as a physicist, Sack holds a PhD in applied physics from the University of Virginia. During his 16-year tenure at the global management consulting firm Egon Zehnder, Sack led projects in executive search, management appraisal, and leadership development, as well as its global research organization. (January 8) ■

### ESMT welcomes largest full-time MBA class

In January, 68 students from 34 different countries started ESMT's full-time MBA program. This is the largest class since the start of the program in 2006. Thirty-five percent of the students are female, the average age is 30, and the students have an average 7 years' work experience. Four students from Cameroon, Egypt, Kenya, and Malawi were granted Kofi Annan Fellowships, which are awarded to outstanding students from developing countries and cover full tuition and fees, as well as a stipend for living expenses. (January 8) ■

### ESMT receives Reimagine Education award for open source course

Reimagine Education has awarded ESMT and INSEAD Business the silver trophy in the MBA & Executive Education 2018 category for their open source and free "Negotiations Course for the World" project. The "course in a box" focuses on business negotiation education and is specifically tailored to instructors in emerging markets. Materials – which include lecture slides, exercises, readings, assessments, assignments, videos, and teaching notes – are translated and localized using a unique language software developed at INSEAD to provide a global, non US-centric education experience. (January 3) ■

# Reading Room

## Selected reading from published ESMT research

### Authorship and contribution disclosures

Henry Sauermann, Carolin Haeussler  
*Science Advances* 3 (11)

### Emergent leadership structures in informal groups:

#### A dynamic, cognitively informed network model

Gianluca Carnabuci, Cécile Emery, David Brinberg  
*Organization Science* 29 (1): 118–133

### The escalation of competition into conflict in competitive networks of Formula One drivers

Henning Piezunka, Wonjae Lee, Richard Haynes, Matthew S. Bothner; *Proceedings of the National Academy of Sciences* 115 (15): E3361–E3367

### Financing capacity investment under demand uncertainty: An optimal contracting approach

Francis de Véricourt, Denis Gromb  
*Manufacturing and Service Operations Management* 20 (1): 85–96

### Russia: Leadership in Russia; Between hero and victim

Ekaterina Belokoskova-Mikhaylova, Konstantin Korotov, Irena Izotova; *In Global leadership perspectives: Insights and analysis*, edited by Simon Western, Éric-Jean Garcia  
London: Sage Publications Ltd. (2018): 129–136

### Superstars in the making? The broad effects of interdisciplinary centers

Susan Biancani, Linus Dahlander, Daniel A. McFarland, Sanne Smith; *Research Policy* 47 (3): 543–557

### When serving customers includes correcting them: Understanding the ambivalent effects of enforcing service rules

Johannes Habel, Sascha Alavi, Doreén Pick  
*International Journal of Research in Marketing* 34 (4): 919–941

### Who needs a reason to indulge?

#### Happiness following reason-based indulgent consumption

Francine Espinoza Petersen, Heather J. Dretsche, Yuliya Komarova  
*International Journal of Research in Marketing* 35 (1): 170–184

# In Profile

## Conversations with alumni of ESMT Berlin



Alexander Kudlich

In this edition, Alumni Relations Manager Franziska Neugebauer interviews with Alexander Kudlich, who talks about his role as a member of the management board at Rocket Internet SE and the changing digital landscape.

**T**ell us a little bit about yourself and your role at Rocket Internet.

I'm Alexander Kudlich and I'm a member of the executive board of Rocket Internet SE. I live in Berlin but I was originally born in Bonn. My father was a diplomat, therefore we moved to different Western European capitals every four years. Before starting my career, I completed my undergraduate degree in finance and accounting at the University of St. Gallen, Switzerland and my master of arts degree at UCL in London. After moving to Berlin, I started my first job at Axel Springer SE as the assistant of the chairman and CEO (Dr. Mathias

Döpfner) for almost three years, followed by four years at Zanox, an Axel Springer company. In 2011, I joined Rocket Internet. Since we took the company public in 2014, I'm on the executive board, responsible for operations, product development, technology and resources. I'm also looking after a part of our portfolio companies and simultaneously screen for new potential company incubations and investments.

It has been seven years since I joined Rocket, approximately one year after finishing my Executive MBA at ESMT in 2010. I'm one of three members of the Rocket executive board: The board consists of Oliver Samwer, the founder and CEO, our CFO Peter Kimpel, and myself.

Rocket's business model is based on two disciplines: We incubate and invest in inter-

net and technology companies globally. We provide operational support to our portfolio and help them scale internationally.

For us both pillars are equally important. We want to support the team in every functional aspect. Rocket Internet's companies are active in a large number of countries around the world with more than 33,000 employees and we employ around 180 people here in Berlin, who are an essential part of supporting our portfolio.

### How would you describe your learning experience in the EMBA program and how it shapes your work?

It's been almost 10 years ago since I joined the Executive MBA program. During that time I experienced an important turning point as I was only 28 years old and had already begun to manage my own teams. Axel Springer SE is one of ESMT's founding companies and nominated me for the EMBA. Although I had studied business in my undergraduate program, it was still very helpful to refresh and expand my toolset.

More importantly, it was crucial to achieve a more holistic approach on how to run a company. Most of my peers in the EMBA program came from large companies, so I learned how these companies approach different business strategies, how they organize themselves, and what it takes to lead a large company. This unforgettable learning experience helped me step up in the way I now engage with my teams. Looking back on those days, this encounter was the trigger that shaped me most.

### How would you say Rocket Internet has influenced and grown from the entrepreneurial landscape in Berlin and elsewhere?

Historically, Berlin's below-average living costs, office rents, and salaries were more manageable for startups than in most other European cities. On top of that, Berlin is a city with great quality of life. It constitutes a melting pot for finding and attracting talent. There's no other city – at least not in Germany – where you can have so many different language speakers

available in one place. Most of the internet companies that we have built rely on the source of international talent. Meaning that, in Berlin you get greater access to aspiring people, the lifestyle is affordable, and ensures a very good quality of life – that's why a lot of companies decide to come to Berlin.

In the 10 years of its existence, we have built up many internet and technology companies in Berlin. A lot of our employees who relocated to Berlin for Rocket have since left to incubate their own companies. So one dimension of Rocket's long-term impact on Berlin's ecosystem is the job creation. Secondly, we are investing in Rocket-incubated companies as well as in other early-stage startups.

If you take a look at the Rocket portfolio, more than half of our business activities are based outside of Europe. Rocket's active portfolio spans more than 100 companies on six continents in frontier and emerging markets. We are one of the largest players in Southeast Asia, Africa, South America, and in the Middle East. We replicate the business mod-

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Technology will play an even bigger role, moving from being an enabler to be more at the core of every business model.

els that we have built successfully in these markets – such as a lot of consumer-facing internet companies and e-commerce companies. We have built them and sold some of them and have taken some public. I think we have been relatively successful in the last years, not only in Berlin but also in markets abroad.

### How will the entrepreneurial landscape change in the near future?

The Federal Ministry for Economic Affairs and Energy has a digital hub strategy and many parts of Germany are becoming more and more entrepreneur-friendly, for



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example, consider Karlsruhe and the Ruhr region. Berlin has proven to be very strong in the digital B2C branch in the past five years, but that's not the only field of entrepreneurial activity in the city.

The digital disruption will change every aspect of our lives. The consumer verticals have experienced that a lot and now we can experience the same development in the B2B sector. Technology will play an even bigger role, moving from being an enabler to placing itself at the core of every business model – that will require a multifaceted profile of founders.

We often hear complaints that there is not enough access to capital in Europe. This issue is changing as we are seeing more early-stage and growth being founded in Europe and therefore increasing interest from international investors.

**What would you advise a fellow ESMT graduate or student on their entrepreneurial ideas?**

If you are strongly convinced of your business, you should not wait as things won't get easier. You need to be aware of why most companies fail in your given sector. There are typically four reasons for a failing business model: The first one is that the business model just does not work. The second factor is the team. Does your team have all the right capabilities to succeed, especially in terms of technological skills? Are you getting the best people you can think of? The third aspect is the quality and speed of operational execution. The last and fourth factor is about the access to capital. Do you know how much financial resources you will need and are you confident enough to receive them?

Overall, if you understand these four aspects, you are prepared to go ahead. However, do not wait until you feel confident about all of them, but on the other hand you should not ignore any of those before you start your own business.

**In what ways are you involved in the ESMT alumni community and how would you like to participate in the future?**

Last year, I gratefully accepted the President's Award for ESMT Alumni Leadership Achievement. I try to help whenever I can. Sometimes, we host students at Rocket, and I take part in roundtable discussions or participate during presentations.

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**If you are strongly convinced of your business, you should not wait. Things will not get easier.**

I'm also very close with Professor Zoltán Antal-Mokos as well as ESMT President Jörg Rocholl. We have had a couple of discussions over the last year on how to leverage even more functional education into the curriculum. I'm looking forward to more.

Luckily, our Rocket headquarters is based only one kilometer away from ESMT – within walking distance. There are so many events at ESMT that I quite frequently go to, so I'm on campus at least once per quarter. I'm very happy to meet former friends from my class whenever I do. I met a very nice group of people during my time at ESMT and I'm still very close with some of my classmates. Studying at ESMT characterized two very enjoyable years of my life. ■

**Franziska Neugebauer**  
Alumni Relations  
Manager, Development  
at ESMT Berlin





# Alumni at Large

A roundup of news and events from and for ESMT Berlin alumni

**Alumni to meet, celebrate on campus in June**

The 2018 Alumni Network Annual Meeting will take place on June 8, the day after the Annual Forum. The day event offers club sessions hosted by the ESMT Social Impact Club, Finance Club, and Entrepreneurship Club as well as a panel discussion featuring ESMT alumni on the topic “Humans or Machines: Who is leading whom?” The June event will also host the 10-year class reunion of the MBA class of 2008 and the 5-year class reunion of the EMBA 2011-2013 class. ■

**ESMT Alumni go Wiesn**

ESMT alumni will celebrate the fifth anniversary of the school’s collaboration between the Executive MBA program and Ernst & Young (EY) and experience the iconic Oktoberfest at the Alumni Reunion in Munich on October 4, 2018. This special day is organized by the Munich Chapter and supported by Allianz and EY. An expected 120 alumni will enjoy presentations by **Werner Zedelius**, chair-

man of the ESMT Supervisory Board and former member of the Allianz SE Board of Management; **Jörg Rocholl**, president of ESMT Berlin; and **Stefan Heißner**, partner EY and global sector leader FIDS; and **Claudia Donzelmann**, EMBA 2009-2011 and head of the ESMT Alumni Munich Chapter. ■

**Scholars run for Berlin Half-Marathon**

Our congratulations to the 15 ESMT alumni, faculty, and staff who ran the Berlin Half-Marathon on April 8. The spring race drew approximately 36,000 participants this year, including those runners wearing ESMT team shirts. This is not the first time that ESMT scholars could be seen running through Berlin’s streets. Last year, ESMT MBA 2015 alumnus **Alejandro Molina** used the fall’s Berlin Marathon to raise awareness and funds for groups providing aid to Mexican earthquake victims. With the support of ESMT, he raised more than €3,000 for the Mexican Red

Cross and the Rescue Brigade Topos Tlatelolco. ■

**London welcomes new alumni chapter**

**Virginie Bonnell**, MBA 2013, led the launch of ESMT’s London Chapter. The inaugural event on April 23 included two special guests from ESMT, Professor of Strategy and Dean of Degree Programs **Zoltán Antal-Mokos** and Alumni Relations Manager **Franziska Neugebauer**. The chapter will help strengthen the ESMT alumni network by coordinating social and learning events and lending support to alumni who are new to London. ■

**Astrophysics, artificial intelligence charm chapters**

Rhein-Ruhr Chapter Heads **Annette Malmann** and **Alexander Trost** (both EMBA 2008-2010) kicked off 2018 with a meeting on thinking without boundaries. Their invited guest in January, **Stefan Gillesen** from the Max Planck Institute for Extraterrestrial Physics, gave an inspirational talk on astrophysics and the long-term returns of innovation. Similarly, in April, **Johannes Habel**, associate professor, program director, and co-director of ESMT’s Hidden Champions Institute, spoke to the chapter about natural and artificial intelligence and shed light on neural networks. ■



ESMT runners of the Berlin Half-Marathon, April 8, 2018

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