

# update

# Oops!

Good people,  
bad deeds

Learning  
by failing

Washington  
loses power

06/19

# INCLUSIVE LEADERSHIP

· NEW EXECUTIVE EDUCATION PROGRAM ·

Leveraging diversity and inclusiveness  
to create new opportunities

September 3 – 5, 2019  
ESMT Berlin



# EDITORIAL

Some years ago, University of Houston researcher and writer Brené Brown was interviewed by Oprah Winfrey, the American media executive and talk show host. In the interview, Brown said, “There is no innovation and creativity without failure ... The only people who innovate are the people standing in the arena getting their butts kicked on occasion.”

By all public accounts, Winfrey is one of Brown’s most adoring fans. She is not alone. Recently, Melinda Gates took a moment from her own book promotion tour to urge everyone to read Brown’s books. What is it about Brown’s words that have catapulted her to best-selling author status? Why is it that her TED Talk on vulnerability is among the most popular of all time?

Brown is best known for talking about courage. As in the interview with Winfrey, Brown emphasizes that our development is not in the absence of failure but in the room with it. We are – as leaders and workers, as educators and learners – made better by it. Like vulnerability and courage, loss and success are vital to each other.



This is sometimes hard to appreciate in the competitive space of the working world, especially because of tensions between transparency and confidentiality in financial activities. News reporting on business failure can mean the difference between a funded business venture and empty coffers or between a staffed office and vacant desks. Social media – while heralded as an important tool of consumer engagement with products and services – can seem especially unkind to business missteps.

The embrace of the so-called “failure culture” is thus a welcome one. The business world may have learned its best lesson: resist perfectionism by learning from failure.

In this edition of the ESMT Update, we look at cases where things went wrong and where businesses, government, and even individual employees worked to make things right. Referencing recent major scandals of the banking and transportation sectors, we look at a social psychology theory for why people – even good people – make deeply unethical choices. It reminds us that the saying “a few bad apples spoils the bunch” is actually a call to leaders to take action for better results. We also talk with a leader from the corporate sustainability space, who details how his company has embraced a no-blame culture to encourage employees to learn from failed projects. Finally, in an article on public infrastructure management, we examine how a one-size-fits-all approach to privatization is not right for all sectors. In the energy market, specifically, civic activism has changed the course and governments are now applying the lessons learned with approaches that promise greater transparency than ever before.

Take a lesson in courage and join me in flipping the page. ■

**Jörg Rocholl**  
President, ESMT Berlin

## ESMT Update 06/19

### 03 Editorial

### Features

**05**  
**Beyond “bad apples” and  
“crooked executives”**  
by Ulf Schäfer  
Moral disengagement theory  
explains the unethical behavior  
of good people.

**12**  
**Failure, for the win**  
by Joanna Radeke  
Enel's Head of Innovability  
speaks on its “My Best Failure”  
route to success.

**20**  
**In Washington we trust?**  
by Christoph Burger and Jens  
Weinmann  
Consumer backlash to  
privatization brings energy  
markets back to municipal  
management.

### In the News

**16**  
**Tackling the challenges of EU  
financial integration**  
by Jörg Rocholl



**25**  
**German-Chinese M&As: Less  
emotion, more reason**  
by Olaf Plötner

### Conversations

**11**  
**“EU elections require  
protection from cyber-  
enabled manipulation”**  
with Isabel Skierka

**24**  
**“Let imagination be the ace in  
your hand”**  
with Martin Schweinsberg

### In Pictures

**18**  
**Town Hall Europe**  
April 6, 2019

**26**  
**Sustainable Business  
Roundtable**  
April 11–12, 2019



### Inside ESMT

**28**  
**Of Note**

**29**  
**Reading Room**

**31**  
**In Profile**  
with Nuño de la Concha Vega

**34**  
**Alumni at Large**

### Imprint

**Editorial:** Tammi L. Coles, Digital Editor,  
tammi.coles@esmt.org.  
**Contributors:** Molly Ihlbrock, Head of Corporate  
Communications and Marketing;  
Jeanne Gabler, Marketing and PR Manager.  
**Creative Design:**  
STOCKMAR+WALTER Kommunikationsdesign.  
**Printing:** Köllen Druck + Verlag GmbH.  
**Photography:** Images used under license  
from Depositphotos.com, istockphotos.com,  
Shutterstock.com, and by permission  
of ESMT faculty, staff, alumni, students,  
and guests.  
**Postmaster:** Send changes and corrections  
to ESMT Berlin, Corporate Communications  
and Marketing, Schlossplatz 1, 10178 Berlin,  
Germany; newsletter@esmt.org.  
**Copyright:** ©2019 by ESMT Berlin. Published  
biannually. Printed in Germany.



# Beyond “bad apples” and “crooked executives”

A social psychological theory explains why otherwise good people fail to act ethically in the workplace.

Large-scale corporate scandals continue making front-page news. The last 12 months have seen reports of software manipulation by two automakers, allegations of contribution to money laundering at Deutsche Bank, corruption allegations at Rolls-Royce and Airbus, and self-certification allegations at Boeing – to name just a few.

People invoke two explanations for large-scale unethical behavior in organizations: That there are a few individuals – “a few bad apples” – who don’t have the right values, the right ethics, and who are solely to be blamed. This is often the narrative from the top of the organization, lamenting about the unfortunate and unfair conclusion that the organization and its entire workforce is under general suspicion. The other explanation suggests that wrongdoing is a result of explicit or implicit orders from crooked top executives. This is often the public narrative that reflects the inconceivability of many that large-scale unethical behavior may be possible without cognizance, involvement, or direct sanctioning by the top of the organization.

Moral disengagement theory (Bandura, 1999, 2016) offers a third – alternative or complementary – explanation. It posits that normal people – well-bred and well-intentioned – are able to engage in unethical behavior through cognitive reconstrual of their behavior.

## What is moral disengagement?

Through moral disengagement, people can suspend or override moral principles that they in general accept as valid, enabling them to engage in behavior that is

inconsistent with their moral principles yet is not seen as such. Moral disengagement theory was developed by social psychologist Albert Bandura and states that people generally act in line with – and refrain from conduct contrary to – internalized moral standards. These standards, that are previously acquired through social learning, however, can be suspended, they can be disengaged, and are then no longer effective in guiding people to do what’s right and to refrain from doing what’s wrong.

## How moral disengagement works?

Moral disengagement operates through numerous cognitive mechanisms that change people’s assessment of the morality of behavior via three main strategies of *reconstruing morality*, *reconstruing agency*, and *reconstruing events* (Schaefer &





Bouwmeester, 2019). Here are sketches of nine specific mechanisms relevant to organizational contexts.

### Reconstructing morality

When people engage in *reconstructing morality*, they reevaluate behavior and convince themselves that the behavior is “not immoral” or even “morally obligatory.” To do so, people invoke an alternative moral frame according to which the unethical be-

havior in question becomes ethically justified (moral justification), or they weaken the moral frame that was invoked to establish a behavior as ethical (e.g., through legalism or condemning the condemner).

Through moral justification people draw on an alternative moral frame, for example, by reference to a religion, an ideology, or a higher obligation to a specific community that obligates an actor to show the behavior in question. To illustrate, a Siemens manager who contributed to the company’s corruption that surfaced in 2007 explained his behavior as wanting to help company and co-workers: “We did it for the company, it was about keeping the business unit alive and not jeopardizing thousands of jobs overnight” (Schubert & Miller, 2008).

People may alternatively defend behavior by arguing that explicit rules and laws can be the sole basis to establish a behavior or practice as wrong, and that allegations of immorality beyond the test of legality are without foundation. *Legalism* (Ashforth & Anand, 2003) allows people to argue that everything is allowed (and therefore justified) which is not explicitly forbidden by law. An illustration of this mechanism was provided by former Volkswagen CEO Müller in an interview with NPR (Glinton, 2016):

**NPR:** You said this was a technical problem, but the American people feel this is not a technical problem, this is an ethical problem that’s deep inside the company. How do you change that perception in the US?

**Matthias Mueller:** Frankly spoken, it was a technical problem. We made a default, we had a ... not the right interpretation of the American law. [...] And the other question you mentioned – it was an ethical problem? I cannot understand why you say that.”

A third way to reconstrue morality is by condemning the condemner, whereby people deflect the condemnation of others by attacking the condemners, for example, by suggesting that condemners themselves are complicit, crooked, or corrupt. Automakers involved in emissions cheating have replied to condemnation from regu-

#### Reconstructing morality

- Moral justification
- Legalism
- Condemning the condemner

#### Reconstructing agency

- Displacement of responsibility to authorities
- Diffusion of responsibility
- Blaming forces outside the individual and beyond control

#### Reconstructing events (spinning)

- Leveraging language
- Minimizing consequences
- Comparing advantageously

lators and lawmakers by contending that they have been complicit in the past.

### Reconstruing agency

When people engage in reconstruing agency, they psychologically distance themselves from the behavior by minimizing the actor's agency in it. People may *displace responsibility* for behavior to authorities. Organizations characterized by hierarchies, frameworks of legitimizations, and high pay at the top to compensate for higher responsibility – provide ideal conditions for organizational members to displace responsibility.

People may alternatively *diffuse responsibility* across collectives. When people can point out that everyone is doing what they are doing, or that they only make a small, insignificant contribution to an unethical behavior, people can easily diffuse responsibility. Organizations provide an ideal breeding ground for the diffusion of responsibility: division of labor, teamwork, and shared decision making foster diffusion of responsibility. Siemens manager Siekaczek noted that “paying provisions and bribes was customary in practically all business units of Siemens AG” (Schubert & Miller, 2008). And in taking the decision to build a defeat device making diesel engines appear clean when they in fact were not, Volkswagen decision makers allegedly argued that “all the carmakers cheated. Volkswagen had to take shortcuts, too, or it wouldn't be able to compete” (Ewing, 2018, p. 122).

Agency may be minimized by reference to contextual factors. When people *blame forces outside the individual and beyond control*, they minimize their own agency by depicting themselves as helpless, as driven and controlled by external forces. In large organizations, members may point to their own insignificance and powerlessness to rationalize tacit acceptance of, or active contribution to, unethical practice.

### Reconstruing events (spinning)

When people are *spinning*, they reconstrue events and provide a biased interpretation

of what happens. This class of moral disengagement mechanisms invokes practices of political spin, the sophisticated manipulative selling of ideas and interpretations aimed at controlling or influencing perceptions of a specific event, decision, or policy. Spinning alone may not be sufficient to fully rebut accusations of immorality, yet it may significantly diminish the force of such accusations.

Language plays an important role in reconstruing events, for example, via the application of linguistic devices and techniques, such as euphemisms, dysphemisms, catchphrases, metaphors, and the use of passive voice.

People may *misconstrue consequences* of their doing, or even deny detrimental outcomes altogether. To illustrate, engine developers at Volkswagen, involved in devising a defeat device, may contest allegations of unethical behavior on the ground that their fuel-efficient diesel was a promising way to fight climate change (Ewing 2017, p. 126).

*Advantageous comparison* trivializes the immorality of specific behavior by enlarging the reference context and pointing to much larger transgressions (typically by others, e.g., adversaries). To illustrate, furthering sales of an admittedly manipulated, but fuel-efficient and CO<sub>2</sub>-minimizing modern diesel engine may appear good when compared to marketing “thirsty”





gasoline-powered SUVs and pickup trucks.

The three main strategies – reconstruing morality, agency, and events – do not operate distinctly but may be effectively combined in achieving moral disengagement. Scholars identified 18 cognitive mechanisms through which moral disengagement is achieved (Schaefer & Bouwmeester, 2019).

### **What do we know about moral disengagement?**

Research has established overwhelming support for the core proposition of moral disengagement theory, a close link between moral disengagement and unethical behavior. Moral disengagement predicts bullying, aggression, delinquency, support for war, cheating, counterproductive work

behavior, unethical decision making, unethical work behavior, and unethical pro-organizational behavior. While most research showed how moral disengagement clears the way to transgressions, there is support for the reverse relationship too – that moral disengagement results from unethical behavior (Shu, Gino, & Bazerman, 2011) people justified their dishonest deeds through moral disengagement and exhibited motivated forgetting of information that might otherwise limit their dishonesty. Using hypothetical scenarios (Studies 1 and 2 and is used to rationalize unethical behavior after it has been committed. A dynamic “slippery-slope effect” between the two variables was experimentally established and we may speculate about a vicious circle that could be at work when unethical behavior drives moral disengagement, which in turn could spur more unethical behavior.





## Collective moral disengagement

While moral disengagement research has initially taken an individual level – intrapsychic – perspective, current research focuses on it as a collective phenomenon (Schaefer, 2019). In groups, organizations, or communities people may collectively reconstrue norms, agency, and events, thereby converging on the reevaluation of behavior formerly evaluated as unethical as justifiable. Such collective processes may free the way to collective unethical behavior, where members of a collective perform unethical behavior in concert with other members of that collective.

Moral disengagement reasoning may be shared and spread among organizational members. Collective moral disengagement may explain coordinated wrongdoing that group members carry out on behalf of the group – such as are required when many dozens of employees work together to develop and implement fraudulent software to achieve emissions cheating, or when thousands of employees engage in the very same unethical behavior of opening bank accounts without client permission (as was the case at Wells Fargo).

## Why should we care?

“A few bad apples” or “the crook at the top” may be prominent as explanations for large-scale unethical behavior in organizations because they are easy explanations. Easy to understand and easy to deal with: just identify the bad guys, manage their exit, improve recruiting to exclude hiring bad guys again, implement a reporting system to identify the bad guys quicker, etc.

These easy explanations, however, may be misleading, and corresponding approaches may be ineffective in dealing with unethical behavior and preventing re-occurrence. Moral disengagement theory explains that normal, good people may get involved in large-scale unethical behavior and it predicts that people may not be aware that what they are doing is unethical. Understanding conditions under which morally disengaged thought spreads is of key importance.



Research has yet to collect more empirical data, but key hypotheses suggest that characteristics and conditions that most organizations desire are in fact catalysts of collective moral disengagement: high identification with the group or the organization; high group cohesiveness; high group or organizational attractiveness; and formal leaders who are also highly respected informal leaders. These generally most desirable social conditions may be also responsible for leading good people morally astray at the workplace.

Understanding individual and collective moral disengagement should be a top priority not only for business ethicists but for business executives too, seeking to effectively prevent large-scale unethical behavior to occur in their organization.

To view the full reference list for this article, visit us at <https://knowledge.esmt.org>. ■



**Ulf Schäfer**  
Associate Professor  
of Practice, SDA  
Bocconi Affiliate  
Program Director,  
ESMT Berlin

# LEADERSHIP UNDER PRESSURE

· PREMIUM EXECUTIVE EDUCATION PROGRAM ·

Leading effectively in unexpected  
and dynamic situations

Application of learning in real flight simulators of  
Lufthansa Aviation Training

November 13 – 15, 2019  
ESMT Berlin



# EU elections require protection from cyber-enabled manipulation

“

Concerns about election interference through hacking and disinformation campaigns are rising. It's been three years since Russian disinformation and hacking campaigns disrupted the 2016 US presidential election. European officials and experts worried that the recent EU parliament elections could be hacked too.

To preserve the integrity of elections, EU member states and institutions have taken a number of measures in order to secure electronic voting systems and developed a cybersecurity compendium for elections. Under EU pressure, social media and other tech companies have adopted a “code of practice on disinformation.” When it comes to actual hacking risks during elections, it comes down to each member state and their electoral councils to secure the electoral process.



**Isabel Skierka**  
Research Associate, Digital Society Institute (DSI)  
ESMT Berlin

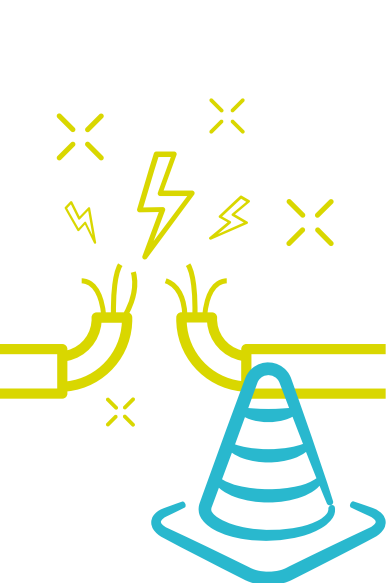


# Failure, for the win

At Enel, how employees talk about getting it wrong is how they get it right.



Ernesto Ciorra



What is it about failure? Headlines such as “Failure has never been more successful” and the global popularity of so-called “best failure” competitions hosted by companies as diverse as Google, Tata, or Enel show that the corporate world is on the path to embrace failure. At the bottom of this lies the concept of team psychological safety, which was developed in 1999 by Amy C. Edmondson, the Novartis Professor of Leadership and Management at Harvard Business School. Psychological safety at work means that employees in working groups feel free to

take risks, to share their mistakes, and to learn from them. They feel free to share their ideas as well as their problems.

In the recently concluded research project code-named Project Aristotle, a team of researchers at Google found that psychological safety is crucial to creating highly functioning organizational teams. According to the *New York Times*, “Project Aristotle has taught people within Google that no one wants to put on a ‘work face’ when they get to the office. (...) To be fully present at work, to feel ‘psychologically safe’, we must know that we can be free enough, sometimes, to share the things that scare us without fear of recriminations.”

The Rome-based multinational power company Enel is a member of the ESMT Sustainable Business Roundtable (SBRT). It is also one of Europe’s leading power companies, with the largest customer base among its European peers. In 2015, the company thought of the idea of creating safe spaces for employees to innovate, leading to the introduction of its so-called Best Failure Award.

In this unique interview, Ernesto Ciorra, the world’s first Head of Innovability – a reference to Enel’s revolutionary idea of merging innovation with sustainability – speaks with Joanna Radeke of the Center for Sustainable Business and Leadership at ESMT. The two share the do’s and don’ts of embracing failure at work.

## Making failure visible

**Joanna Radeke: What motivated Enel to start the Best Failure Award?**

**Ernesto Ciorra:** The “My Best Failure” project was an idea that came to us as early as 2015, when we launched the first edition of the program. Nowadays, companies must either evolve or go extinct. To be best

prepared for the rapidly changing future, they must look within to drive their transformation, tapping into the heart and soul of every company – the people which make it up.

We wanted to encourage our colleagues to experiment, to innovate, and to consider failure as a positive, normal outcome of trying to do something new rather than something they will be blamed or punished for. Enel is committed to building a “no-blame culture” inside the company, and it is doing so by celebrating “best failure stories” and sharing lessons learned by colleagues throughout the company.

Following the first edition of the program, we carried out a retrospective analysis and launched a second edition in 2018 with an improved user interface for the online platform, a new reward system, and more visibility overall for the people posting their stories.

One key element that we stress in this new edition is the need to differentiate a failure from a mistake. Failure is the result of trying something new that has an unknown outcome, but which teaches us an important lesson, whereas a mistake might be the result of carelessness, whose outcome could have been predicted by previous experiences and from which we draw less value. Some of the mistakes could be avoided if they are shared.

In addition, the criteria for awards now has two categories: Best Innovative Experimentation and Best Lesson Learned. These categories give our colleagues the possibility to view failure as the result of innovative experimentation on the one hand and as the path to important lessons learned on the other.

Through the online platform, failures can be voted for; every six months, we award the two stories that received the highest score in both categories. By submitting the stories on the platform, we are highlighting the importance of experimenting and trying something completely new, while amplifying the valuable lesson learned, to share the lesson company-wide.

#### **JR: Who shared their best failures?**

**EC:** The stories were submitted by colleagues from all the countries in which we

operate, all the business lines, and all the managerial levels. I myself have posted a failure on the platform.

We have received some very interesting stories from those experimenting to improve relationships with suppliers and sub-contractors on various construction sites. One story, which ended up winning Best



Enel is committed to building a “no-blame culture” inside the company, and it is doing so by celebrating “best failure stories” and sharing lessons learned.

Innovative Experimentation, was about an experiment made by our colleagues in Peru who worked tirelessly (without being discouraged by failures) to reduce network losses. Ultimately the lessons they learned led to their success.

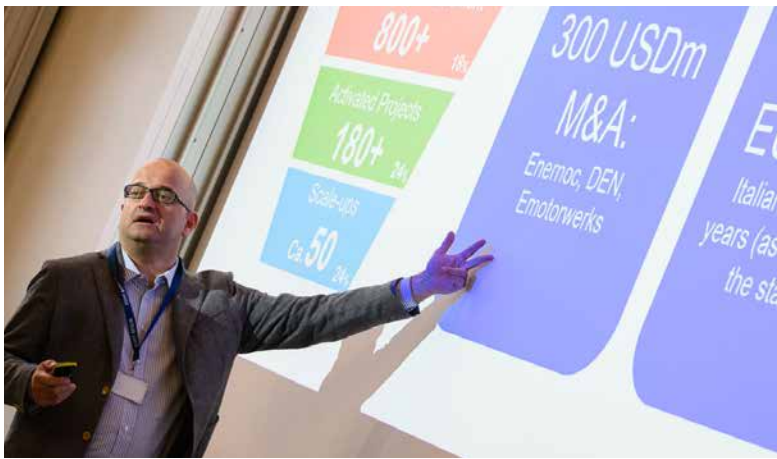
#### **Rewarding shared failure**

**JR: How did this initiative affect the company? What feedback did you receive?**

**EC:** Changing the mindset of the company, especially establishing a no-blame culture, is a long and difficult process. It is not easy to speak openly about failure in any culture, let alone celebrate it, and initially we were met with a certain degree of skepticism. But some people in Enel saw this as an opportunity and had the courage to speak about their experiments and the lessons that they learned. Our initiative was also supported by many top managers, who shared their stories on the platform. By openly celebrating and awarding the best stories, we aim to enrich the professional experience of the colleague that shared their failure, offering “shadowing” programs with top managers, training courses, and even master’s programs or other such experiences.

All of these outcomes have contributed to the enthusiastic embrace of the project,





Ernesto Ciorra presents to the SBRT at ESMT Berlin, April 2019



reducing the fear and taboo surrounding failure, and boosting our colleagues' courage to share and to experiment.

The second edition so far has seen an increase in website visits (+75%) as well as comments and votes (+170%), but we are striving to do even better.

### Failing upwards

**JR: What role does failure play in your quest to become a sustainable energy provider?**

**EC:** We operate worldwide, in different conditions, in different communities. In the Atacama desert in Chile, around 200 local inhabitants were without secure and constant access to energy. We piloted the world's first energy system built at high altitude combining solar, wind power, and co-generation with storage. This is exactly the place where we can test our most innovative ideas and practice reverse innovation, allowing us to learn before we in-

troduce these innovations in more mature markets.

Another point where innovation meets sustainability is when we team up with local startups to solve social problems and, on the way, solve problems of our own.

In the favelas in Rio de Janeiro, for example, there is a problem with energy theft. Locals desperately needed energy because their homes were far too hot. Together with a local startup Nossa Case (Our Home), we piloted solutions for bringing the home temperatures down without using energy, so people would not need that much energy and theft would be discouraged. We used Tetra Paks to create thermal lining systems that protected homes from the sun. This approach worked – it reduced indoor temperatures by around 9 degrees Celsius! We also employed and trained local favela inhabitants so they could, for example, repair our electricity poles.

This is a win-win approach and a circular economy solution with a positive impact on local communities, startups, and our company's operations.

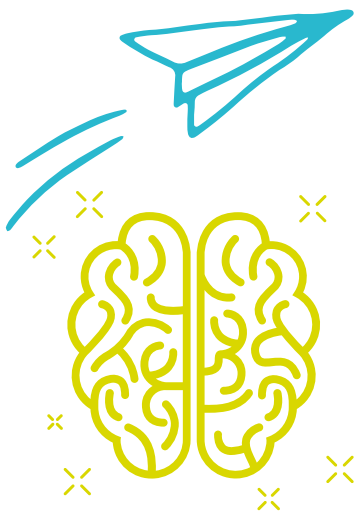
### Spreading the failure gospel

**JR: Why would you recommend this approach to other companies? (And when would you not?)**

**EC:** Any company that aims to innovate and adapt to today's complex challenges needs to instate a no-blame culture. Most of the change that happens within a company is bottom-up; if people are not involved and empowered to contribute, a lot of potential will be lost. Ultimately, people need to be encouraged to try something new, to experiment, and if they fail, to recognize the underlying lesson that they can learn from it, and then share their story, like we do through the My Best Failure platform. ■



**Joanna Radeke**  
Manager, Center for Sustainable Business and Leadership





**Berlin in its totality is extraordinary.  
There are young people, a strong  
intellectual community, and enormous  
energy.**

[www.braincity.berlin](http://www.braincity.berlin)

**Prof. Dr. Tamer Boyaci**  
Director of Research  
ESMT Berlin



# Tackling the challenges of EU financial integration

Just over 25 years ago, the European Union agreed in the treaty of Maastricht to complete the European Single Market (SM). Goods, services, people, and capital were envisioned to move freely across EU countries. The substantial contribution of the SM to growth and prosperity in Europe since then is undisputed. Today, the common economic area is home to more than 500 million people. In terms of size, it can easily compete with the United States or the economies of Eastern Asia.



However, the completion of the SM is not yet finished. While many barriers to the free movement of capital across borders have been removed in the last decades, some important hurdles remain. The euro crisis has shown that particularly the financial sector remains vulnerable and fragmented. This poses serious risks to the stability of both national economies and the euro area.

In addition, despite the size of the SM, not a single one of the top 10 most valuable companies in the world is based in Europe. Instead, tech giants from the United States, like Apple or Google, and China, like Alibaba and Tencent, dominate this ranking. They owe their success to the rapid development of data- and platform-driven business models, which are easily scalable. In Europe, however, companies still face a number of specific impediments to scaling that prevent them from growing at a similar pace.

In a recently published policy paper, we identify the hurdles to financial integration in the EU and propose specific solutions to overcome them. The paper distinguishes between barriers that affect banks, firms, and investors, respectively – and we address some of these barriers below.

## Banks

National regulators have several tools to restrict intragroup lending for bank subsidiaries with parents in other European countries. This inhibits cross-border activities by banks and particularly affects institutions with a broader European customer base. A solution to this is to delegate more regulatory powers to the European level, specifically to the Single Supervisory Mechanism (SSM).

Moreover, European banks often face steep discounts when they attempt to securitize their loans.

This is due to investor distrust in the composition of the offered mortgage pools (a classical “lemon market problem”). It may thus be helpful to have an independent and trusted institution as, for example, the European Investment Bank to certify and rate mortgage pools to facilitate securitization.

## Firms

EU companies that want to go public face a considerable bureaucratic effort. The European Commission is currently in the process of reforming the IPO prospectus regime, which is very welcome. However, the current reform proposals might actually increase bureaucracy. The prospectus requirements should be designed as useful information to potential investors, not as a listing of all factors affecting business outlooks in all imaginable circumstances.

Another big issue firms in Europe are confronted with is the debt-bias in corporate taxation. Most tax systems of EU members feature deductibility of interest payments from corporate tax payments while no such measure exists for equity funding of firms. This distorts firms' financing decisions towards debt over equity. Removing the debt-bias in corporate tax systems could significantly contribute to the development of equity markets in Europe.

## Investors

Many European countries have only low stock market participation rates in comparison to other developed countries. This is a major challenge because stock returns are significantly higher over longer investment horizons than most other asset classes. A reason for this might be regulation and associated bureaucracy for retail investor

advisory. It would be reasonable to establish an opt-out rule, according to which informed customers can invest in a large class of financial products without repeated bureaucratic requirements.

Furthermore, differences in accounting standards across EU countries make it hard for investors to gather reliable data from firms. Since balance sheets and income statements are among the most fundamental sources of information, this poses a significant hurdle. Investors need to engage in costly information acquisition, which leads to information asymmetries. A solution to this could be a centralized regulator that enforces a consistent application of accounting rules across the EU.

These proposals are neither comprehensive nor final. They are meant to invite and stimulate a discussion around these important issues. For further information and a more complete list of hurdles and possible solutions, see the full paper:

Katharina Gnath, Benjamin Große Rüschkamp, Christian Kastrop, Dominic Ponattu, Jörg Rocholl, Marcus Wortmann (2019). *Financial market integration in the EU: A practical inventory of benefits and hurdles in the Single Market*. ESMT White Paper No. WP-19-01. ■



**Jörg Rocholl**  
President,  
ESMT Berlin



# Town Hall Europe

The Obama Foundation hosted a town hall to engage emerging leaders from across Europe working in government, civil society, and the private sector. The event was held in Berlin, Germany on April 6, 2019 on the campus of ESMT Berlin.



Town hall photos copyright © 2019 Obama Foundation except where otherwise noted. All rights reserved. Used with permission.



REUTERS/Fabrizio Bensch

Radical changes just don't happen overnight – or even within four or eight years for that matter. At least not the kind of changes we would like to see. In his town hall speech at ESMT, President Obama reminded us that “when you start trying to radically change things quickly, the track record has not been great.” Being open to compromise, however, doesn't mean you shouldn't be politically active and complacent about the future you desire. Quite the contrary – the President urged us young people to stand up and fight on behalf of our generation.



**Shan Qiao**  
ESMT MBA 2019

# In Washington we trust?

Privatization policies driven by the Washington Consensus have failed global energy markets. Today's consumers are reclaiming power.

**B**ack in the 1980s and 1990s, the twin forces of privatization and deregulation of public infrastructure services ascended to a global paradigm of progress and development. Government management of services such as telecommunications, transportation, water, and energy was deemed inefficient, underperforming, and monopolistic. Private industry – accountable to the profits and losses of an open market and, thus, believed more efficient than government – was proclaimed the better way for consumer choice and a more efficient use of taxpayers' money.

Washington, DC-based financial institutions such as the International Monetary Fund (IMF) and the World Bank, among others, were the biggest proponents and drivers of the subsequent policy prescriptions. The Washington Consensus – a term coined by the English economist John Williamson to characterize these policies – took two routes globally.

In the industrial world, it challenged public ownership and management of infrastructure services. In the EU, for example, it fostered the adoption of single market and regulatory bodies focused on supporting market competition.

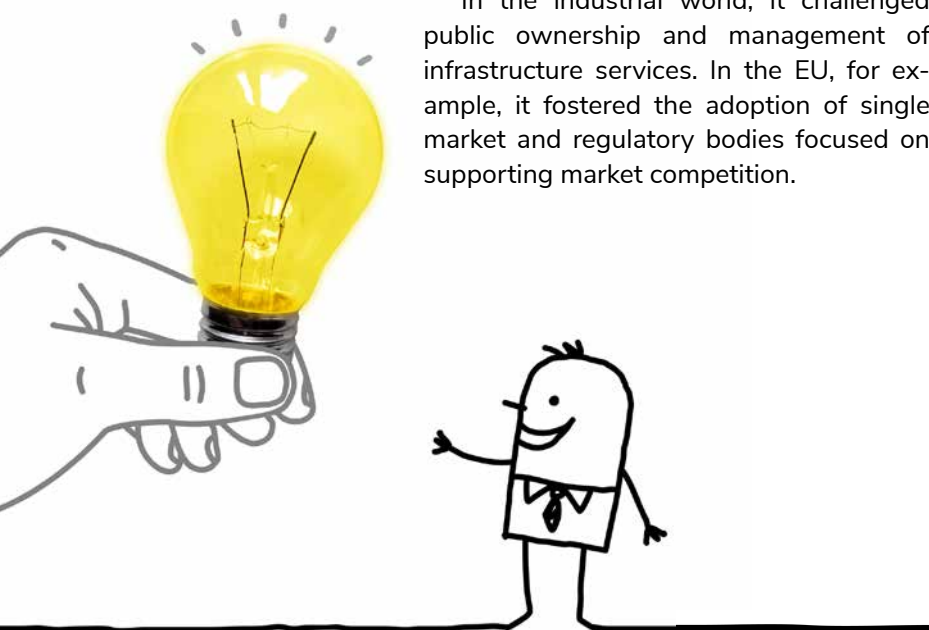
In the developing world, it linked the adoption of neoliberal macroeconomic policies to the approval of credit lines. In Latin America, for example, where loans for infrastructure development in the 1960s and 70s contributed to a foreign debt crisis in the 1980s, the IMF and the World Bank made new credit conditional on the implementation of austerity measures, privatization of public enterprises, and financial liberalization.

Despite the prescriptions of major institutions of the international monetary system, the policy prescriptions of the Washington Consensus did not bring all infrastructure services under a single, liberalized umbrella. Instead, the design has been dominant (and successful) in some infrastructure sectors and weak (and a failure) in others. As our analysis on trends in the energy sector specifically shows, a wave of recomunalizations appears to be a citizen-driven reversal of these policies – a reclaiming of the public role in the control and management of public infrastructure services. To paraphrase a popular anthem of the 1980s, citizens are doin' it for themselves.

## A shifting tide

In 1992, Mary M. Shirley, chief of public sector management and private sector development division at the World Bank, declared in the *Fordham Law Review*, "There are virtually no limits on what can be privatized." The enthusiasm of such a statement aside, we observe that some sectors have thrived while others have fallen under the weight of free-market principles in public infrastructure services.

Take the telecommunications sector for example. The Washington Consensus contributed to the end of national telepho-





ny monopolies abroad – the US itself being a notable exception to state-administered telecommunications infrastructure. New entrants into the telecommunications market – including low-cost carriers and Voice-over-Internet-Protocol (VoIP) providers – have been welcome disruptors, positively affecting consumer choice and prices. According to economic policy research in the sector, market giants like Deutsche Telekom in Germany, Telefónica in Spain, and British Telecom in the UK subsequently have become more innovative, customer-oriented, and “lean.”

On the other side of the coin are the world’s water markets. Water is a human right, recognized as such by the United Nations General Assembly on July 28, 2010, and incorporated into international law and standards. Yet ensuring access to clean and potable water remains a challenge globally. According to a 2017 WHO/UNICEF report, “2.1 billion people worldwide lack access to safe, readily available water.”

Where there have been attempts to privatize water, however, provision failure and public discontent have forced municipalities back to the table. An in-depth investigation on water sector privatization – jointly undertaken by the Transnational Institute (TNI), the Public Services International Research Unit, and the Multinational Observatory in 2014 – concluded that over 180 cities and communities in 35 countries remunicipalized their services. “Direct experience with common problems of private water management – from lack of infrastructure investments, to tariff hikes to environmental hazards – has persuaded communities and policymakers that the public sector is better placed to provide quality services to citizens and promote the human right to water.” As the Guardian summarized the matter in its own coverage of the issue in 2015, “the tide has turned on privatization.”

### Reversing course

While the telecommunications and water sectors paint a stark and contrasting picture, the reality for other sectors is more complex. In postal services, mass transit, and waste management, among others,



certain services that have been liberalized and privatized coexist with public and regulated ones.

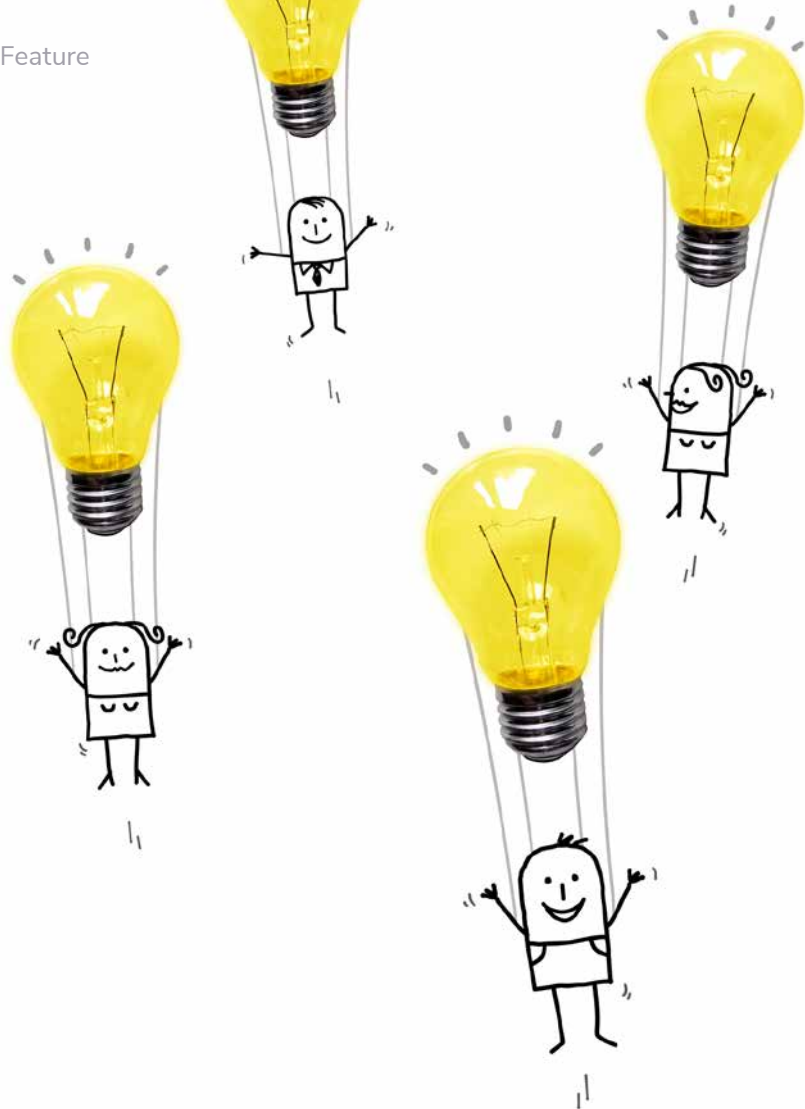
The energy sector is also one such space, and the reasons therefore are multiple. Energy sector regulation must navigate a landscape that demands affordability and efficiency but also attention to sustainability goals and the security of energy supply – the so-called energy policy triangle. Supporting each part of the whole bring cer-



As the Guardian summarized the matter in its own coverage of the issue in 2015, “the tide has turned on privatization.”

tain challenges. For example, where competition may favor fossil fuels – which are still relied upon by 67 percent of the energy infrastructure globally – the fight against global warming calls for carbon-neutral and renewable energy solutions. And where uninterrupted power supply fuels strong industrial economies, wind and solar energy fluxes – a natural outcome of decentralized supply – becomes a threat to grid stability that must be addressed.

Large parts of the world – in Africa, South-East Asia, and South Asia especially – remain largely untouched by free-market energy policies. Yet many nations have chosen the liberalization path – market



competition for energy generation and a wholesale market for trading – which they nevertheless complement with regulatory approaches that promote renewable energy and secure energy supply. A parallel challenge for regulatory bodies is thus to motivate private enterprises to take social and environmental objectives into account, not just shareholder value. Good governance and transparency are key to stoking public confidence and private investment in the energy liberalization effort. Where absent – due to non-transparent decision processes, blackouts and other service failures, or waning political will, among other factors – the reverse occurs.

One of the first countries to overthrow the World Bank's privatization doctrine in Latin America was the Dominican Republic. In 2003, the country's government re-nationalized two distribution utilities previously acquired by Spanish utility Union Fenosa. Other developing countries followed suit. In their work *Public resistance to privatisation in water and energy* (2005) researchers David Hall, Emanuele Lobina, and Robin de la Motte state that in devel-

oping countries "the process of privatization in water and energy has proved widely unpopular and encountered strong political opposition. [...] Local civil society has successfully mobilized highly effective political activity, its opposition being based on the perceived conflicts between privatizations and equity, and over the role of the state and the community in these sectors."

Industrialized countries also experienced the energy re-communalization trend. According to a study by the Wuppertal Institut (sic), 139 new municipal energy utilities were founded between 2005 and 2016, with a peak of 28 new municipal energy utilities in 2012. In Germany, many re-communalizations in Germany were initiated on the heels of expired grid concession contracts with private operators. According to a study by VKU, the German association of municipal enterprises, between 2007 and 2015, 234 municipalities withdrew concessions of electricity and gas networks from their previously private operators.

### An empowered populace

Returning infrastructure assets into public ownership is part of a larger movement of consumer empowerment that can be observed across all critical infrastructure services.

The two most prominent cases of re-communalization in Germany have taken place in Hamburg and Berlin, where Swedish energy utility Vattenfall lost its contract after around a decade of operations, and the city purchased the local electricity grid from Vattenfall for 610 million euros. Similarly, in a 2013 referendum 600,000 Berliners, or 83 percent of the electorate, voted in favor of re-communalization. After lengthy legal disputes, the Berlin Senate announced in early March 2019 that the state-owned company Berlin Energie will be awarded the contract for the power grid license and thereafter responsible for Berlin power grid operations for the next twenty years.

Recommunalization has become part of a larger movement of consumer empowerment in infrastructure sectors. Around 1.6 million German households participate

actively in micro-generation via photovoltaic panels, according to a study by the Öko-Institut. Even in cities, where inhabitants have no access to private rooftops to install their own solar panels, participation in the urban movement of MieterStrom ("tenants' energy") continues its rise. In 2018, almost 17 MW peak of solar tenant electricity from approximately 530 realized projects and 400 planned projects were recorded. The existing installations supplied around 10,000 residential units with renewable electricity, many of them organized in local energy cooperatives. In rural areas, bioenergy villages strive for energy autonomy, often with combined heat and power plants fueled by local biomass, and sometimes complemented by photovoltaics and solar thermal panels. As of March 2019, 147 communities are registered as bioenergy villages in Germany.

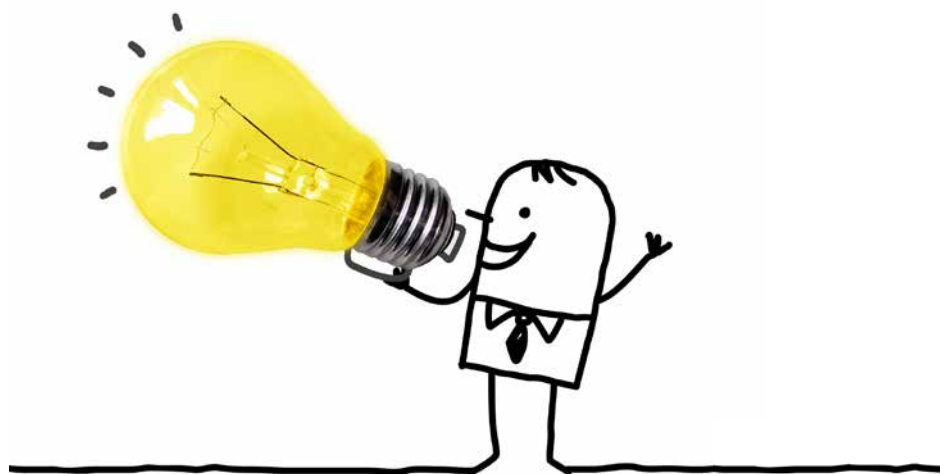
### New paths to power

Lest it appears that we imagine only the purest of intentions in this, a reality check is warranted. A survey carried out by Thomas Lenk, Oliver Rottmann, and Romy Albrecht among municipal decision makers (as quoted in an overview of recomunalization studies by Christina Schäfer and Ulf Papenfuß) suggests that the motivation of municipalities holds similar objectives as private industry: growing control, influence, and revenue generation.

Could recomunalization thus lead to a return of the efficiency concerns that motivated those drivers of the Washington Consensus?

As economists John Vickers and George Yarrow state in their seminal paper *Economic Perspectives on Privatization*, "Any form of ownership is inevitably imperfect." While proponents of privatization may emphasize government failure and downplay its advantages, champions of the state will focus on the failures of the market as a result of "profit versus the public interest."

Recomunalization may reduce market failures but may also increase the likelihood of the "slippery slope" of government intervention. That said, as Warner notes, "this reverse privatization process is not a return to the direct public monopoly delivery



model of old. Instead, it heralds the emergence of a new balanced position which combines use of markets, democracy, and planning to reach decisions which may be both efficient and more socially optimal."

There are promising, grassroots trends that herald a different way for municipal management of public infrastructure services. Increasing citizen engagement in a decentralized and participatory system of governance, coupled with digital decision tools, such as e-government fostering more transparency, spell greater accountability for politicians and managers of critical infrastructure providers. With digitalization, power can be brought back to the people.

*Excerpted and adapted from "Economic Perspectives on Recomunalization in the Energy Sector" by Christoph Burger and Jens Weinmann. Published online by CIDOB, the Barcelona Centre for Public Affairs, on March 3, 2019 at <https://bit.ly/2JmpuXB>. ■*



**Christoph Burger**  
Senior Lecturer and  
Senior Associate Dean  
of Executive Education,  
ESMT Berlin



**Jens Weinmann**  
Program Director of  
Executive Education,  
ESMT Berlin

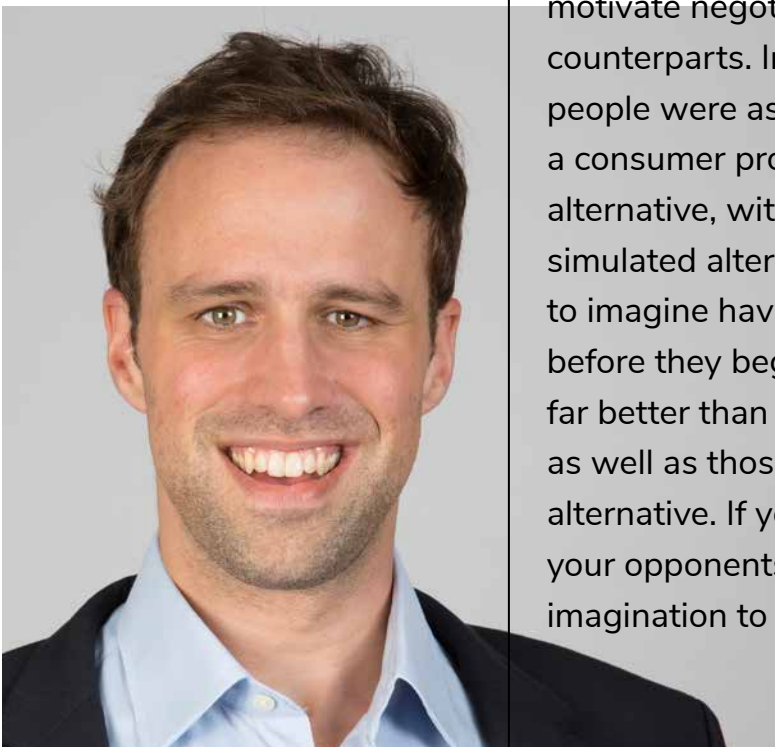


# Let imagination be the ace in your hand

“

Lacking alternatives to choose from means some leave the negotiation table with far less than they could. However, as my own research with Michael Schaerer at SMU and Roderick Swaab at INSEAD shows, even just imagining more power can strengthen your hand.

We conducted seven studies with more than 2,500 MBA students, online participants, and professionals, and hypothesized that imagining an attractive alternative would motivate negotiators to ask more from their counterparts. In one study, more than 300 people were asked to negotiate the price of a consumer product with either an actual alternative, without an alternative, or with a simulated alternative. Those who were told to imagine having an attractive alternative before they began the negotiation performed far better than those who didn't and almost as well as those who actually had a strong alternative. If you believe you have less than your opponents, tap into the power of your imagination to win.



**Martin Schweinsberg**  
Assistant Professor of Organizational Behavior  
ESMT Berlin

# German-Chinese M&As: Less emotion, more reason

Cooperation between German and Chinese companies – despite the sharp decline in investment from China in recent years – still holds enormous potential. Thus far, business and media have treated the topic too emotionally. On the heels of a euphoric phase over new money from the Far East followed the fear phase of a “sellout” of German technology. Both are uncalled for. Successful (and less successful) examples of German-Chinese partnerships show that it is time for phase three: a rational economic evaluation.

**T**he case of the Chinese utility vehicle manufacturer Weichai and the German forklift truck company Kion shows how it can work. Weichai currently holds around 45 percent of Kion and 70 percent of its former hydraulics division Linde Hydraulics. Thanks to Weichai's entry, the Aschaffenburg plant not only produces hydraulic technology for German forklift trucks but also for Chinese machines and vehicles. The cooperation in this area has proven to be successful. Since Kion's IPO in 2013 – one year after Weichai bought its first shares – the German company's share price has roughly doubled.

The example of the German manufacturer of industrial robots KUKA from Augsburg – the former “pearl” of the Industry 4.0 initiative – shows that not every merger makes economic sense. After the KUKA management had already been rebuffed by Bosch and Siemens, the Chinese refrigerator and air conditioning manufacturer Midea invested in the company in 2015. One year later, Midea took over KUKA almost completely. At 115 euros per share, the Chinese of-

fered a whopping 35 percent more than the market value at the time. KUKA shareholders made a huge deal, but the euphoria of that time has now vanished. In the production and sales of industrial robots on the one hand and refrigerators on the other, hardly any synergies have emerged. The market value of KUKA has dropped almost 50 percent since the takeover.

Although investments from China have fallen sharply in the last two years, Chinese investors in Germany are currently viewed with skepticism. While in 2016 – at the peak of the investment wave – more than 9 billion euros from China went into the takeover of German companies, last year the figure was just over one billion. Nevertheless, the perceived danger of a sellout of German high tech remains high. We are currently in this second (fear) phase. Cases such as that of the Chinese billionaire Li Shufu contributed to this: After official talks about a stake in Daimler had failed, Li secured around ten percent of the German car manufacturer with the help of stock options. Since then, the German government has raised the legal hurdles for purchases from China.

The emotional roller coaster of recent years should not obscure that the potential for mergers between German and Chinese companies remains enormous. It would be advisable, therefore, to “downshift” and start a new phase: that of economic rationality. Neither Chinese investment is a danger to German industry per se, nor is any sum from China sensibly invested in German companies. We should be guided less by emotions and more on the lookout for possible synergy effects – and enter partnerships where it makes good business sense. The success story of Kion and Weichai shows where the journey can go.

*This article was originally published on March 26, 2019 in CONNECT, the publication of the Chinese Chamber of Commerce in Germany.* ■

**Olaf Plötner**  
Professor  
and Dean  
of Executive  
Education,  
ESMT Berlin



# Digital Innovations & Startups Driving Sustainability

Sustainable Business Roundtable  
April 11–12, 2019 at ESMT Berlin







The Center for Sustainable Business and Leadership at ESMT Berlin (CSBL) brings research, expertise, and initiatives to bear on issues connecting business leadership, society, and sustainability. One of its initiatives is the Sustainable Business Roundtable, a world-class, peer-to-peer learning network of global companies. Founded in 2011, the network of 25 – which includes companies like adidas, E.ON, Merck, and Siemens – and its guest experts meet biannually to discuss sustainability challenges and opportunities. ■





# Of Note

## ESMT events, faculty, and research announcements

Associate Professor Gianluca Carnabuci at the inauguration of the Ingrid and Manfred Gentz Chair in Business and Society, February 5, 2019.

### **ESMT and Yale SOM launch double degree program**

ESMT and the Yale School of Management (Yale SOM) are offering a double master's degree. Starting with the current intake, students at ESMT can acquire two degrees: an MSc in Management (MIM) from ESMT and a Master's of Management Studies (MMS) from Yale SOM in just two years. Master's students at ESMT can apply to Yale for the MMS program upon enrollment at ESMT. Students accepted to the dual degree program attend the first year in Berlin, the second at Yale. Both schools decide independently whether the criteria to award their respective degree have been met. (November 12) ■

### **Sauermann awarded Nelson Prize for work on crowd science**

Henry Sauermann, associate professor of strategy at ESMT, has been awarded the 2018 Richard R. Nelson Prize for his research on "crowd science." The term refers to scientific projects that actively involve the public in the research process and are typically organized via online platforms – ranging from discovering new planets to collecting data on bird migration to solving math problems. Due to the reliance on non-professional contributors, crowd

science is also known as "citizen science." The prizewinning paper, co-authored with Chiara Franzoni from Politecnico di Milano, is particularly relevant in face of the growing momentum of crowd science in recent years. Governments and funding agencies in Europe and the United States actively encourage crowd science efforts and such projects have resulted in many top tier peer-reviewed publications. (January 18) ■

### **Endowed chair supports research on responsible leadership**

Gianluca Carnabuci, associate professor of organizational behavior, is the holder of the newly founded Ingrid and Manfred Gentz Chair in Business and Society at ESMT. The chair's mission is to develop relevant scientific knowledge to help leaders act competently and responsibly. It is the first privately funded chair at ESMT. Manfred Gentz was a member of the Board of Management at Daimler until 2004 and played a central role in the founding of ESMT. Carnabuci has been a professor at ESMT since 2016. His research to date has focused on the analysis of inter- and intra-organizational networks, particularly with regard to the generation of new technological knowledge. (February 5) ■

### **New flexible full-time MBA better prepares students for German job market**

ESMT is updating its full-time MBA curriculum for the upcoming intake in January 2020. The new curriculum will give students more flexibility in their course choices and bring more practical projects into the classroom, preparing them for the concrete demands of the German labor market. In addition, the curriculum offers the opportunity to acquire additional qualifications such as German language or coding skills, which are especially relevant to tech companies doing business in Germany. The new program has been extended by two months, better facilitating the transition into the job market and better suited to recruitment patterns in Germany. (February 26) ■

### **Coding Boot Camp launched in partnership with Trilogy Education**

ESMT announced the launch of a coding boot camp, the first in Europe and launched

in partnership with leading workforce accelerator Trilogy Education. Geared toward adult learners and working professionals, the ESMT Berlin Coding Boot Camp teaches the front-end and back-end skills necessary to become a proficient full stack developer. The 24-week, part-time program begins Tuesday, July 9, with two three-hour evening classes during the week and a four-hour class on Saturdays. Enrollment is now open at [bootcamp.esmt.org](http://bootcamp.esmt.org). (March 28) ■

#### **Annual figures 2018: ESMT Berlin continues successful development**

ESMT Berlin continues the positive trend of recent years and reports a net income of 407,000 euros. The number of enrolled students grew by 7 percent to 470. The demand for executive education offered by the business school remains high with 3,206 executives attending programs. Overall earnings increased to 32.8 million euros, and 2018 is the ninth consecutive

year in which ESMT reports a net profit. (April 15) ■

#### **Schweinsberg ranked among best 40 under 40**

In April, the graduate business education online journal Poets&Quants added Martin Schweinsberg, assistant professor of organizational behavior at ESMT, to its 2019 Best 40 Under 40 Professors. The select list, published annually since 2010, identifies the world's best young business school professors based on teaching reviews and research impact. The journal acknowledged that Schweinsberg's research is highly cited in the organizational behavior space, with more than 130 citations by other academics and publications in top peer-reviewed journals as well as prize-winning projects. For example, together with peers at INSEAD, Schweinsberg developed the open source "Negotiations Course for the World," which won the silver trophy from Reimagine Education in 2018. (April 22) ■

## Reading Room

### **Selected reading from published ESMT research**

#### **Contracting in medical equipment maintenance services: An empirical investigation**

Tian Chan, Francis de Véricourt, Omar Besbes (2019)  
Management Science 65 (3): 955–1453

#### **Crowdfunding scientific research: Descriptive insights and correlates of funding success**

Henry Sauermann, Chiara Franzoni, Kourosh Shafi (2019)  
PLoS ONE 14 (1)

#### **Did Europe move in the right direction on e-waste legislation?**

Shumail Mazahir, Vedat Verter, Tamer Boyaci, Luk N. Van Wassenhove (2019)  
Production and Operations Management 28 (1): 121–139

#### **It's all about scaling, stupid!**

Jörg Rocholl (2019)  
In Europa kann es besser, 1st ed., edited by Sven Afhüppe, 143–149. Freiburg im Breisgau: Verlag Herder

#### **Leadership development: A challenge for Russia**

Konstantin Korotov (2019)  
In the life of Russian business: (Re)cognizing, (re)activating and (re)configuring institutions, edited by Tomas Casas I Klett, Yuliya Ponomareva, 283–285. Charlotte, NC: Information Age Publishing

#### **Pathways to intercultural accuracy: Social projection processes and core cultural values**

Shira Mor, Claudia Toma, Martin Schweinsberg, Daniel Ames (2019)  
European Journal of Social Psychology 49 (1): 47–62

#### **Risk preferences and development revisited**

Ferdinand M. Vieider, Peter Martinsson, Pham Khanh Nam, Nghi Truong (2019)  
Theory and Decision 86 (1): 1–21

#### **Will German banks earn their cost of capital?**

Andreas Dombret, Yalin Gündüz, Jörg Rocholl (2019)  
Contemporary Economic Policy 37 (1): 156–169



CENTER FOR  
SUSTAINABLE BUSINESS  
AND LEADERSHIP

# **THOUGHT LEADERSHIP MEETS PRACTICE**



# In Profile

Conversations  
with alumni  
of ESMT Berlin



Nuño de la Concha Vega

ESMT alumnus Nuño de la Concha Vega is a data consultant with Mercedes-Benz, a global automobile brand and a division of Daimler AG. In this edition of the magazine, he speaks with the ESMT team on his professional path from Spain to Germany and how data-driven business intelligence improves the client relationship.

**E**very Marvel comic book hero has an origin story, the impetus of their later success. What's yours?

When I was a child, I was not really into Marvel comics but rather into *The Adventures of Tintin*. The main character of this comic, Tintin, is not the traditional superhero but rather a young reporter that adapts to circumstances around him,

is full of curiosity, and who enjoys every experience life throws at him. He is probably not as glamorous as Marvel heroes are, but I personally find this much more real, due to its charismatic authenticity. Throughout his many adventures, he is always full of doubts, fears, and uncertainty. He is also brave and positive in every difficult situation. I think that having this type of attitude is his "success," and it is similar to how I define success as well.



My own origin story is primarily based on luck. I was lucky to grow up in a family and environment where I got all the love and support that a child needs to develop. My parents taught my sisters and me the ethics of effort, honesty, and commitment. My environment and the values instilled in me have provided me with the plentiful chances and opportunities throughout my life to develop the skills and confidence to continuously try to find my way to the person I want to become, while enjoying it along the way.

Today, I can say that my focus is to find passion in what I do and to also learn and improve from challenging moments. And, of course, everything accompanied with lots of humor.



The fast-growing and changing environment in data and analytics bring many challenges but also many opportunities.

**You grew up in Spain but now call Germany your home. How have the similarities and differences of these two cultures affected your work for an international company like Mercedes-Benz?**

It has made me grow. I became more reflective and empathic, and therefore more aware of what is around me. I analyze the environment surrounding me in more detail. Being in Germany, I gained a new perspective. I began to notice various skills and aspects I wanted to learn to continue growing and to become the person I want to be. I met others who empower me to keep my essence and to contribute what I already have.

I think all of us agree on the power of diversity – to have different points of view and different ideas and approaches that bring an infinite number of possibilities. Once this is clear, I think that the challenge is to provide the environment and mindset so that each individual can contribute all

potential for a common vision, no matter the nationality.

Mercedes-Benz aims to provide such an environment. There is room for improvement, but the ambition, determination, and commitment to reach the goal of continuing to be a German company within an international environment is there. As the Mercedes-Benz slogan says, “The best or nothing.”

**AI, big data, blockchain, business intelligence – there’s a lot of talk about the digital transformation! How are these new tools and perspectives affecting your work as a data consultant? (And how well do Mercedes-Benz clients understand their value?)**

I work in the field of advanced analytics, and these topics are the main pillars of our solutions-delivery business. The fast-growing and changing environment in data and analytics bring many challenges but also many opportunities. It is a field where you must be always up-to-date to keep being competitive but also to not lose sight of the final goal, which is to improve the quality of your product and efficiency in your processes.

As data consultants in finance and controlling, and working closely with data scientists and engineers, we try to boost the intelligent use of analytics to improve the efficiency of our internal processes and to enhance the client user experience. To this end, in my role, I must first understand the business requirements for different use cases and then determine the methods and tools that best fulfill those requirements, not the other way around. This last point is important – it is a common misperception that it is more important to claim the use of AI, big data, and other buzzwords than to fully understand its impact on the client.

I believe that Mercedes-Benz is successful because it is clearly client-oriented. The vast amount of data collected and the constant improvement of AI algorithms and tools allows us to enhance the driver experience. An example of this is Mercedes me, a system in the car that can be connected to your smartphone. With voice or manual control, it allows the driver to not



simply use different features, such as the navigation or setting the heating, but goes one step further to provide services such as maintenance management or up-to-the-minute traffic reports.

The client is aware of the benefits of these features, but it is our goal to clearly communicate it and to ensure compliance in the usage of that data, in accordance with the legislation.

**You decided to pursue a MIM degree rather than an MBA. What were the factors in your early life that made the ESMT MIM program your next best step? In what ways did you get it right? And what did you get wrong?**

Like many other teenagers, 18-year-olds don't know what they want to study. Our generation has luck, compared to the one of our parents, to have such a broad horizon of options. Nevertheless, this can also provoke pressure to find the right solution fast and at the first shot. This is rarely the case, however, which often leads to frustration.

In my case, I studied telecommunications engineering – a combination of computer science and electrical engineering. After gaining some working experience, I realized I needed a change. I wanted to try something different, more business related, but it required making a proper transition to gather the required knowledge in that field. That is why I decided to do the MIM. The program was better suited to my profile than the MBA, due to my fewer than three years working experience as an engineer. In addition, the MIM contains an internship period to gather more working experience during the program.

During my research, I found that Spain actually has some of the top business schools. However, it was clear to me that I wanted to live the experience abroad. ESMT Berlin fulfilled all of these requirements – a top business school located in the stimulating city of Berlin and founded by top companies, providing graduates with an extensive network to leverage for job opportunities.

When I began the program, my objectives were to have a new learning experi-

ence, go beyond my limits and capacity, and to move on to a professional career. Today I can say those goals were accomplished. I had the chance to learn from outstanding teachers with experience in the industry. I studied with international students and learned to get the most out of working in diverse groups. And after handling the intense and demanding program, I also developed the confidence to know I can surpass and solve any challenge thrown my way. In addition, although I am not fluent in German, I got a position in Germany doing something that I like and where I believe I can make an impact.

**What top tips would you share with business managers and executives who are themselves deciding on MIM or MBA degrees?**

Even though it may sound obvious, the best tip I can give is “think about what you want.” It is tough, and it requires time and being honest with oneself. In my experience, it is hard to figure out even when you dedicate the time, but then you need to think about what you have to do to find it. Try and fail.



There is no better investment than the investment in education.

Nowadays, it sounds quite appealing to do an MBA or MIM. It seems to be the solution to any period of uncertainty and doubt in one's professional career. Everyone talks about it, and it is often seen as the next step to follow when you are a senior executive in your mid-thirties or a recent graduate. However, ask yourself, Is it what you need to grow in your professional career or to reorient it? Is it the professional and personal challenge that you feel like facing at this moment of your life?

If the answer to these is yes, then, as my grandparents believed, there is no better investment than the investment in education. ■

# Alumni at Large

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

## New chapter heads in Munich

In December 2018, **Alexander Bogensperger** (EMBA 2016–18) and **Lukas Neubauer** (EMBA 2015–17) took over the role as chapter leads of the ESMT Alumni Chapter in Munich. We would like to thank **Claudia Donzelmann** (EMBA 2011–13), the former chapter head, whose contributions and commitment helped develop a strong alumni community there. Alexander and Lukas kicked off their chapter activities with a private guided tour at the BMW Museum, discussing how digitalization, autonomous driving, and electric mobility will define the allure of car brands in the future. ■

## Snow Days 2019

This past January, the third edition of the ESMT Munich Chapter Snow Days took place at the Hopfgarten ski resort in Austria. During the well-attended event, alumni enjoyed the heavy snowfall and explored Wilder Kaiser and Kitzbühel regions together. Appreciating the great food and cozy lodge, initiator **Oliver Hasse** (MBA 2010) and his fellow participants came up with tentative dates for next year's event. If you want to join them, save January 17–19, 2020 in your calendars. We firmly hope that these snow days will become a long-lasting tradition that each generation of alumni members can enjoy. ■

## ESMT ran the Berlin Half Marathon

We pass our hearty congratulations to the group of 20 ESMT alumni, current students, and staff who ran the Berlin Half Marathon on April 7. This year, our Berlin runners were joined by alumni from Frankfurt, London, Munich, and Rotterdam. Because of the changed running



ESMT runners of the Berlin Half Marathon, April 7, 2019

route, 35,551 racers from 116 nations passed the ESMT building at Schlossplatz 1. Join next year's event to make the event more colorful with ESMT Berlin's diversity, increase our school's visibility, and become a part of this community! ■

## Alumni portal gets a facelift

We're really excited to announce that we upgraded [esmtalumni.com](https://esmtalumni.com), the exclusive networking portal for ESMT alumni and students. With a personalized newsfeed, the new platform is better tailored to your needs and your explorations within our extensive alumni community. Reconnect with fellow alumni, join a mentoring program, or search for job opportunities and events. Simply log in or sign up to [esmtalumni.com](https://esmtalumni.com) to start enjoying the new platform today. ■

## Alumni chapter relaunches in Berlin

This spring, we relaunched the ESMT Alumni Chapter in Berlin. **Malte Lorenz** (MIM 2015–17) – with his great engagement and fresh ideas – started as the new head. The chapter organized a relaunch BBQ event with great participation from the growing alumni

community of Berlin. Participants had the opportunity to share their ideas and plans for the future of the chapter. Thanks to the great engagement of the alumni, the first steps for a sustainable and successful Berlin network were taken that day. ■

## What has happened in other Alumni Chapters?

In February, the Frankfurt chapter hosted speaker **Felix Mueller**, who works in financial planning and analytics for Allianz Global Investors and, formerly, for the World Economic Forum. Frankfurt alumni discussed current topics from the WEF in Davos.

In April, the current full-time MBA class of 2019 welcomed 12 Berlin-based alumni who shared their career paths and Berlin job market experience with them. Our colleagues from Careers Services organized the panel discussion, which was followed by a networking reception.

In May, the members of the Rhein-Ruhr chapter came together for "ESMT meets Art." Alumni enjoyed a unique visit to the Cologne opera house and took a backstage tour, which included a rehearsal of "The Magic Flute." ■

# HIDDEN CHAMPIONS INSTITUTE

## AT THE TOP **BUSINESS SCHOOL** **IN GERMANY**

[www.execed.esmt.berlin/hci](http://www.execed.esmt.berlin/hci)





**ESMT Berlin**

ESMT European School of Management and Technology GmbH

Schlossplatz 1 · 10178 Berlin · Germany

Phone: +49 30 212 31 0

info@esmt.org · [www.esmt.org](http://www.esmt.org)

[www.esmt.org](http://www.esmt.org)