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With our ASPIRE strategy, which we first presented at the ESMT Annual Forum on June 17 this year, we bring together the six most important strategic focal points of ESMT:

- Advance sustainability through education and research
- Support diverse future leaders of the world with a European mindset
- Promote a stakeholder-oriented market economy with sustainable and globally inclusive economic growth
- Integrate business and technology to empower individuals, companies, and societies
- Research rigorously to find the right solutions to upcoming challenges for businesses and beyond
- Evolve into a hotspot for innovation and entrepreneurship in Europe

The launch of the FUTURIST Institute for Sustainable Transformation on November 2 at the COP26 demonstrates how we are bringing the “A” of ASPIRE to life. Within the institute, the Deutsche Bank Professor in Sustainable Finance underpins the important role the financial sector must play in sustainable transformation. I am pleased to confirm that Per Olsson will hold this professorship. Furthermore, Deutsche Post DHL Group supports a professorship in sustainable accounting. Both professorships will support the “R” as well. It is my strong belief that we must move from a naïve to an enlightened view on what sustainable finance and accounting can achieve – and how. We need green content instead of green marketing.

I invite you to turn the page and learn more about transformation at ESMT. And please save the date for our next ESMT Annual Forum “Sustainable transformation: Leading change for business and society” on June 23, 2022, where it would be our pleasure to explore various aspects of sustainable transformation with you.

Returning from COP26 in Glasgow, I sense the immediate and strong need to act – as individuals, organizations, and society – to bring the transformation necessary to meet the great challenges we face, the most important being the climate crisis. We need to find intelligent solutions that really work and do more than just create good feelings. This necessity also motivated us at ESMT as we worked during the height of the pandemic to plan our strategy for the coming years, the results of which we call ASPIRE.

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President, ESMT Berlin
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Crowds participate in research and innovation to help identify sustainability problems, contribute human and financial resources, and reconcile technical with social aspects.

Leveraging crowds to accelerate sustainability transitions

By HENRY SAUERMANN
The general public increasingly participates in science and innovation processes, supporting and complementing professional scientists and innovators. This trend towards “citizen science” or “crowd science” may not only increase scientific output but also enable “sustainability transitions”: the complex transformation processes through which societies shift to more sustainable modes of production and consumption.

**Socio-technical sustainability transitions**

Sustainability problems are moving front and center in the public discussion. The emphasis is often on environmental issues such as climate or biodiversity, but the range of sustainability challenges is much broader. Indeed, the United Nations Sustainable Development Goals (SDGs) span themes as diverse as poverty, health, education, and the environment.

Progress towards SDGs often requires new scientific insights and technical solutions. For example, reducing our dependence on fossil fuels requires the development of alternative sources of energy, the preservation of biodiversity requires data-intensive environmental monitoring, and improving healthcare in developing countries requires novel therapies that can be implemented at low cost.

However, past experiences have shown that sustainability transitions require much more than novel technical solutions: They also require changes in the behaviors of firms and citizens as well as support from funding agencies and policymakers. For example, households and firms need to change their equipment and routines to take advantage of new energy sources, while governments can accelerate adoption through regulation or financial incentives. New vaccines will only stop the spread of diseases if citizens decide to get vaccinated, or if governments issue vaccination mandates. As these examples illustrate, sustainability transitions are what researchers call "wicked": They are highly complex, characterized by uncertainty about the best course of action, and different stakeholder groups may have conflicting preferences and values.

**Crowd and citizen science**

An increasing number of projects actively involve non-professional people in research and innovation, helping solve important problems and leading to scientific breakthroughs. Several years ago, the crowdsourcing platform InnoCentive tried to find better approaches to clean up pollution from the Exxon Valdez oil spill. The winning solution came from John Davis, who drew on his experience in the concrete industry to prevent the freezing of oil in arctic waters. On the
platform Zooniverse, over a million users have helped scientists discover new planets or monitor animal populations by classifying images and other digital objects, providing labor inputs valued at millions of dollars. In the project CurieuzeNeuzen, citizens have helped collect air quality data to better understand environmental conditions in Antwerp and to improve computer models to predict variation in nitrogen dioxide concentrations in cities.

The academic and practitioner literature has shown that involving crowds and non-professional citizens in research can increase scientific productivity through five distinct mechanisms:

- **Activate a high amount of effort (sometimes called “crowd labor”)**
- **Find extreme value solutions to difficult problems (“broadcast search”)**
- **Incorporate unique knowledge and perspectives from the user side ("user innovation")**
- **Divide complex tasks while preserving the benefits of collaboration and knowledge sharing ("community production")**
- **Reduce biases and errors that individual people make when estimating things or predicting the future ("crowd wisdom")**

When it comes to sustainability transitions, however, the benefits of involving crowds are even broader than just increasing scientific productivity: Crowds can help with problem identification and agenda setting, crowds can help mobilize scarce resources, and involving people from a broad range of backgrounds can facilitate the co-evolution of social and technical aspects that are critical to successful sustainability transitions.

**Problem identification and agenda setting**

As noted above, sustainability problems are complex, uncertain, and can involve competing values. As such, it is often difficult to identify root causes and to decide what scientific knowledge and technologies should be developed to tackle the problem. We argue that non-professional citizens and crowds can play an important role in identifying and structuring problems as well as in setting research agendas based on diverse stakeholder needs.

One approach is to involve citizens in all aspects of research, including the identification of research questions. Consider the example of a project led by the Extreme Citizen Science research group of the University College London, which collaborated with herders and farmers in Kenya to study ecosystem change and preserve local ecological knowledge. A second approach is to ask citizens specifically to identify problems, without involving them in other stages of the research. For example, the Austrian research foundation Ludwig Boltzmann Gesellschaft reached out to citizens to identify understudied research questions in health. Third, citizens can take initiative without the leadership of professional scientists. For example, the CurieuzeNeuzen project on air quality in Antwerp was to a large extent driven by the Ringland citizen movement, which then enlisted researchers from local universities and research institutes as professional collaborators.

Although these examples illustrate how citizens can help identify and prioritize sustainability problems, they also highlight that research topics reflect the interests and needs of particular groups of citizens. Moreover, different sustainability goals can conflict – such as the goal to preserve the natural environment and the goal to improve living standards through economic growth. Citizen participation in agenda setting may “democratize” science and help align the interests of multiple stakeholders, if these processes are transparent and involve a broad range of participants. Of course, citizen participation does not automatically resolve value conflicts or eliminate inherent trade-offs between different sustainability goals. As such, the impact of crowd involvement in problem framing and agenda-setting processes depends critically on which citizens get involved and how representative they are of the broader population.

**Resource mobilization**

Sustainability transitions require significant human and financial resources for scientific research and technological development but also for the social and political changes that are an integral part of transitions. Unfortunately, the high uncertainty and complexity associated with sustainability transitions can discourage the necessary investment, preventing research from being done or constraining the impact of technical solutions.

Involving crowds and citizens can support sustainability transitions by mobilizing additional resources. For example, the crowdfunding platform Experiment.com allows the general public to provide financial resources for scientific research projects they care about. As mentioned earlier, crowds can help with their own effort to speed up research and enable large-scale projects. Broadcasting problems to the crowd can help identify high-value solutions, and such solutions are often better than those developed by professional scientists. An example is the project Foldit,
which used citizens’ distinct spatial capabilities to solve the structure of enzymes that are critical for the reproduction of the AIDS virus and to improve traditional computer algorithms for predicting the molecular structure of proteins.

Going beyond technical knowledge and solutions, however, citizens can also contribute knowledge about the social and political conditions that are relevant for understanding and addressing sustainability problems. Among others, citizens involved in research may identify challenges with respect to the social acceptance of solutions and may draw greater attention to potential adverse impacts of new scientific knowledge and technologies. This can enable projects to pro-actively address some of those concerns, resulting in more responsible and socially robust innovation. Consider the example of academic scientists who sought to address the problem of overgrazing on the Greek island of Samothraki. Close collaboration with local farmers allowed the scientists to study the biological aspects of overgrazing. More importantly, it helped them understand the underlying economic incentives and constraints the farmers faced. As a result, the project devised solutions that addressed not only technical but also social aspects of the problem.

**Facilitating socio-technical co-evolution**

Sustainability transitions such as those towards renewable energy, efficient transportation systems, or sustainable agricultural methods involve not only scientific and technical solutions. They also require changes in norms, values, and behaviors, including the adoption of technical solutions by actors such as consumers and firms. And they often depend on supportive regulations and policies. Although the range of relevant actors is wide, private citizens are often critical as buyers of technical solutions, adopters of more sustainable practices and behaviors, and voters who influence regulators and policymakers.

Involving citizens and crowds actively in the generation of technical solutions can also increase the likelihood that solutions are ultimately adopted. First, the prior sections suggest that citizen participation in setting research agendas and performing research can result in better solutions – solutions that address technical aspects of sustainability problems but are also aligned with the social and political environment. Better solutions, in turn, will be more likely to receive support and diffuse, as in the Samothraki project on overgrazing, which resulted in socio-technical solutions that farmers found worth adopting.

Second, involving crowds in research can lead to changes in participant knowledge and attitudes. In particular, participation in research can build awareness and allow citizens to gain a clearer understanding of sustainability problems. This is particularly valuable in areas where problems are abstract (e.g., biodiversity loss), intangible (global warming), or invisible (nuclear radiation). Participation in research can also increase citizens’ familiarity with particular subjects and enable them to better assess the merits and risks of scientific solutions.

Increased awareness and learning, in turn, may change behaviors. For one, participants who gain awareness of sustainability problems are often more motivated to help solve them. An example is the German project ReparaKultur, which created repair cafés and brought together citizens and social scientists to reflect on their relationships with consumer products. Partly as a result of increased awareness of problems related to overconsumption, this project led to changes in participants’ patterns of purchasing and re-use. Similarly, citizens who have personally contributed to solutions and who have in the process learned about their scientific rationale may be more likely to adopt them. Finally, greater awareness of problems, a better understanding of scientific or technical solutions, as well as a personal stake in those solutions can lead citizens to push for complementary changes through interactions with policymakers and other stakeholders.

Involving crowds in the research can be particularly effective if it allows them to produce scientific evidence on sustainability problems or solutions. For example, a recent German crowd science project documenting a
dramatic drop in insect biomass has attracted global attention and exerted significant policy pressure. Data resulting from the CurieuzeNeuzen project have also been used effectively to shape the policy discourse around air quality and traffic regulation in Belgium.

Challenges

Involving crowds and citizens in research is not without challenges, and two of these are particularly important in the context of sustainability transitions.

First, the benefits outlined above require that projects involve citizens from diverse parts of society (e.g., with respect to socio-economic status, race, and gender) who make contributions that are significant in volume and sustained over time. This is not always the case. For example, some research projects fail to attract enough crowd participants, participants tend to engage with projects only briefly, and even successful projects often rely on a small share of contributors who do most of the work. Projects also often do not involve a representative cross-section of society: They tend to attract individuals with higher levels of education, income, and pre-existing interest in science. Indeed, this lack of diversity may partly explain why many projects focus on environmental sustainability or health, but few address sustainable development goals such as “no poverty” or “zero hunger.” Thus, an important challenge is to increase the diversity, level, and intensity of participation.

Second, sustainability problems have multiple causes that cut across academic disciplines, requiring corresponding breadth in the issues that are studied. Similarly, both technical and social aspects need to be considered when framing sustainability problems and setting research agendas. But this is not always the case. Crowd science projects often pursue either technical or social topics, partly reflecting the disciplinary backgrounds and interests of academic project organizers. Moreover, attention is unbalanced: the active involvement of citizens is gaining traction rapidly in the natural sciences, while adoption among social scientists—and thus attention to social aspects of sustainability transitions—remains limited. As crowd and citizen science approaches spread even more widely, they will allow professional and non-professional scientists to join forces in tackling some of the most pressing problems of our time.

1 This article is based on Henry Sauermann et al., “Citizen science and sustainability transitions,” Research Policy 49, no. 5 (2020). doi.org/10.1016/j.respol.2020.103978. That article also provides references to all case examples and related scholarly literature.

HENRY SAUERMANN
Professor of Strategy, ESMT Chair in Entrepreneurship. Director of the Institute for Endowment Management and Entrepreneurial Finance (IFEE), ESMT Berlin
Resilient supply chains

Efficiency gains created a supply chain fragility that was made bare by the pandemic and other disasters. Manufacturers must now pursue alternative strategies to create resilience, despite predictable and unpredictable risks.

Over the past 20 months, most consumers have directly experienced shortages. While the most glaring of those were shortages of personal protective equipment (PPE) in the early critical months of the pandemic, more recent news reports of supply chain disruptions – in industries as diverse as consumer electronics, car manufacturing, food, and home furniture – have become commonplace.

Almost two years after COVID-19 first hit, consumer confidence returns (at least in part of the world) and demand for a variety of goods grows. Yet several factors – such as Hurricane Ida, the Suez Canal obstruction, Brexit-related regulatory restrictions, geopolitics and, more recently, energy shortages – cripple supply and thus create huge challenges for meeting demand across a variety of industries and geographies. These largely unrelated and highly unpredictable factors affect raw materials and labor, giving rise to the perfect storm in supply chains.

What can be done to mitigate these effects and increase the resilience of supply chains?
The causes of supply chain fragility

Modern supply chains are highly complex and global, with multiple players dispersed geographically across the world. In normal times, supply chains run like clockwork, providing consumers with products optimally balanced between quality and price, within a short delivery window. But when times are challenging, difficulties hit and can be very big indeed.

Supply chain fragility can be traced back to the drive for efficiency, a concept that became a cornerstone of industry within the last several decades. There are three main dimensions along which the efficiency drive affects supply chain design.

First, in order to minimize costs, manufacturers set up longer supply chains to use remote suppliers in locales with lower manufacturing costs. The resulting increase in long-distance shipments creates disruptions when an unexpected event affects the shipping routes. This was richly illustrated by the backlog created when the large container ship Ever Given blocked the Suez Canal for nearly a week in March 2021, leading to one of the biggest traffic jams in shipping history. Around 12 percent of global trade was held up at an estimated cost of $9.6 billion a day, with hundreds of ships waiting around Suez or forced to take the much longer route around the Cape of Good Hope. The resulting backlog also led to soaring shipping rates and increased the cost of containers six-fold year on year.

Second, the concentration of suppliers in one geographical region – or a single country, as is sometimes the case – can drive down costs. Cost savings are due to economies of scale, ease of managing relationships, and higher returns from specialization and standardization. However, as in finance, a lack of diversification concentrates risk and leaves the supply chain vulnerable to the well-being of just a couple of suppliers. For instance, Taiwan and South Korea control over 70 percent of the chip manufacturing market while arguably having the most advanced semiconductor production facilities. A shortage of semiconductors – largely due to adverse weather events and COVID-related shutdowns in major Asian ports – is now hindering the production of cars and electronics.

Third, manufacturers today prefer lean or just-in-time operations. Pioneered by Toyota in the early 1970s, this paradigm reduces inventory buffers along the supply chain to the minimum needed for the next operation. The advantages are obvious: smaller risk of obsolescence and unused stocks, less capital tied up in inventory, and thus lower costs and higher margins. With its focus on increased efficiency and cost reduction, this approach became widespread across a range of industries and has been critical to ensuring the success of various companies in fiercely competitive markets. Unfortunately, just-in-time supply chains are even more exposed to glitches and adverse events. When something goes wrong in one part of the system, there is very little slack available to weather the storm, and the shock waves propagate throughout the chain to the end customer.

In this opposing dynamic of efficiency versus resilience, these two supply chain characteristics are not equally salient. Efficiency is relatively straightforward to measure – at least where it can be captured through various balance sheet indicators. Resilience, on the other hand, is much more difficult to model and quantify. It requires contingency planning, data collection, and scenario analysis for a range of uncertain events. There are, of course,
analytical models and tools that can provide guidance as to disruption scenarios. The challenge is, however, that the uncertainty related to these predictions is such that effective contingency planning is in practice still difficult. In particular, the availability and quality of real data on which these models can be trained are crucial for delivering reliable predictions. It is thus natural that, for decades, increasing efficiency was a realistic and tangible goal for companies and their shareholders, while resilience was much less of a concern.

Strategies for bolstering resilience

Within this context, there are potential solutions that can address disruption scenarios and meet the demands for market competitiveness.

Increasing inventories and building buffers – move away from just-in-time. If the disruption is relatively short term, building additional inventories in the critical points of the supply chain can help weather the supply shock by ensuring that demand can still be met until production returns to normal. Experts are talking about a move away from just-in-time towards just-in-case supply chains, with the built-in redundancy ensuring resilience for unexpected events.

Supplier diversification. Increasing buffers in the supply chains is unlikely to be sufficient for tackling longer-lasting disruptions; a more effective approach is then to diversify away the risk by redistributing parts of production to alternative locales. From a strategic perspective, manufacturers that rely excessively on any single market, region, or supplier are also exposed to rising labor costs, increasing competition from local players, and potential local political factors. A re-balancing of the manufacturing base towards a broader range of suppliers can thus help to hedge by diversifying the global supply chain risk.

Reshoring and vertical integration. This strategy involves relocating production closer to home markets, or even integrating parts of the supply chain into the main business. Following this approach, in April 2021, Ford announced the launch of a new battery development center in southeast Michigan. Given the growing demand for electric vehicles, this center will allow the company to build its battery cells in house instead of fully relying on overseas suppliers, thus reducing the risk of sourcing batteries overseas.

Conclusion

Ultimately, all strategies for increasing resilience come at a significant cost. This cost cannot be fully absorbed by corporations and, except for a few strategic industries, cannot reasonably be expected to be borne by public bodies or governments. Thus, the cost will at least partly be passed on to the customer, potentially adding to inflationary pressures ahead.

The focus over the last couple of decades on lean manufacturing, offshoring, and supplier consolidation achieved substantial efficiency gains for global companies operating in very competitive markets. However, that focus also increased the overall global supply chain risk by concentrating manufacturing facilities and reducing inventory levels, limiting reactive capacity in case of a disruption. Supply chains have become more integrated but less flexible. Ultimately, increasing supply chain resiliency depends on individual players’ decisions on the tradeoff between managing risk and lowering costs.

To borrow a phrase from economics lore, there is no free lunch.

CATALINA STEFANESCU-CUNTZE
Professor of Management Science and Deutsche Post DHL Chair
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ON THE PODCAST

Greenery can be greener

We’re talking about AI and augmented-reality features. And that’s really exciting. But the reality is that 90% of plants are purchased offline. A majority of those purchases are in non-specialty retailers – the big-box tool shops and Swedish furniture houses. These are the main retailers but also the purchasers on the supply chain side with the biggest power, because they buy the highest volume. There’s a lot of price pressure on the whole supply chain to deliver a good to these retail stores, where 50% of the stock is expected to die before it gets to the consumer. These are plants that are grown quickly, cheaply, and with lots of fertilizers, pushing a plant to grow in a way that it needs a lot more care in your home to ease back into its natural growth cycle. This is the reality for most consumers in this category.

At Bosque, we think about the challenges on the consumer side. How do we educate the consumer about the difference – that we grow ours sustainably with our growers? What’s the value for our consumer? But also on our supply chain side, it’s trying to change behavior. There’s a lot of work to be done. We’re just one of the many players trying to make this change, so plants are grown to last and the consumer, through our technology, is informed in how to grow that plant and to grow themselves into a plant expert.
Young people make up a significant proportion of the global workforce. Their increasing awareness of the negative social and environmental impacts of our current energy, land, and food policies are likely to drive sustainability initiatives that transform our societies (United Nations Joint Framework Initiative on Children, Youth and Climate Change). Among these transformations is the movement to a green economy, for which, according to the 32 country studies reviewed by the ILO, tens of millions of new jobs will be created, demanding both new training and reskilling of the global workforce (International Labour Office 2019).

What do emerging youth trends and changing perspectives mean for businesses and business schools?

Environmentally conscious

One of the key characteristics of younger generations – specifically Millennials (those born between 1980 and 1996) and Generation Z (those born between the mid-1990s and the early 2010s) – is that they are environmentally conscious (Deloitte 2020). According to the Deloitte Global Millenial Survey 2020, climate change/protecting the environment tops the list of concerns for Millennials (31%) and Gen Z (28%). The 18th Shell Youth Study, which interviewed German youth aged 12 to 25, found that 65 percent cited climate change among the issues that frighten them – a fear far higher than not finding a job, which was cited by little more than one in three youth (Albert, et al. 2019).

Their fears are fueling action. They are increasingly engaged in social movements for climate change. The best example of this is the international movement of students Fridays for Future, started by the Swedish teenager Greta Thunberg. Since 2018, its climate strikes have gathered more than 16 million persons across 216 countries. In 2019, the UN convened the first ever Youth Climate Summit, bringing together youth environmental leaders from over 140 countries (SDG Knowledge Hub, IISD 2019). The opening panel, for which UN Secretary-General António Guterres served as a “keynote listener,” featured Thunberg as well as climate activists Bruno Rodriguez (Argentina), Wanjuhi Njoroge (Kenya), and Komal Karishma Kumar (Fiji). “We demand action,” said Kumar. “Stop wasting time. Stop hindering the work [towards a sustainable future] for short-term profits. Engage young people in the design of adaptation plans.” She also warned, “We will hold you accountable. And if you do not remember, we will mobilize to vote you out.” (UN News 2019)
Youth activism in the courts

Young activists are changing government policies worldwide. As seen in legal cases lodged from Norway to Uganda, youth climate activists are willing to sue countries and companies over their perceived failures to address global warming. In a landmark ruling in April 2021, Germany’s highest court ruled in favor of young climate activists, finding that the nation’s Climate Action Law on greenhouse gas reduction targets were insufficient and unconstitutional, and prompting the German government to revise its climate targets (Amelang 2021).

In September 2020, six Portuguese youth activists – with crowdfunding by 744 donors and the support of the Global Legal Action Network – filed a case in the European Court of Human Rights against 33 countries, alleging that their failures in emission cuts create a terrifying climate future (Watts 2020). In a conversation with National Geographic, David R. Boyd, an environmental lawyer and professor with the University of British Columbia, noted that such youth-led legal claims of a right to a healthy future environment have gained momentum.
ture environment have gained considerable momentum. According to Boyd’s research, such activism has moved over 100 countries to enshrine environmental rights in their constitutions (Parker 2019).

Value-driven expectations of employers

These legal cases, which increasingly target suspect business practices across diverse sectors, affect the business environment. This includes youth attitudes in employer selection. Based on a survey conducted by Kantar Futures for American Express, three of every four Millennials believe that the values of their employer should match their personal values (Kantar Futures, American Express 2017). They are more likely to choose their job based on the company’s sustainability track record (40% of Millennials compared to 17% of Baby Boomers) (Peters 2019). And their understanding of sustainability is intersectional, including issues such as social inequalities and diversity, equity, and inclusion.

This has significant implications for their future employers. As a former ESMT student once told me, she was unwilling to work for a company that lacked women on its board of directors. Research supports this anecdotal evidence. For example, 75 percent of younger people would consider leaving an employer for which issues of gender and diversity are not a priority (Wightman 2019). Young people wish to work for companies that have a positive impact on society (Deloitte 2020).

Consuming and investing sustainably

Although young people are often overlooked in the anti-consumption discourse (Ziesemer, Hüttel and Balderjahn 2021), they are nevertheless changing the world of consumption. Early research into the consumption patterns of middle-class youth in 24 countries found that, while price and quality factors dominated purchasing decisions, some 40 percent stated that eco-friendliness was also a factor (UNESCO, UNEP 2000). Sustainability is a reason why they would start or deepen a relationship with a business (38%) or stop or lessen one (33%) based on perceived positive or negative impacts of their products and services (Deloitte 2020). In Germany, federally funded research is underway to both understand youth in the sustainable consumption

picture and to recommend concrete action to encourage youth as change agents in a sustainable business future (ConPolicy GmbH 2020).

Young people are also starting to influence the world of investment. Some 95 percent of Millennials are interested in investing sustainably (Morgan Stanley Institute for Sustainable Investing 2019). Some reports from the US show that the most popular stocks bought by millennial investors include those in companies producing renewable energy or electric cars (Weybrecht 2016). The UNCTAD-Commonwealth Secretariat 2015 Policy Guide on Youth Entrepreneurship also indentifies political and financial support for youth entrepreneurship in the green and blue economies as critical in state-level economic development plans (The Commonwealth 2018).

Making sustainability the business of business schools

Change is accelerating, and young people are responsible for bringing sustainability onto the agendas of business leaders and policymakers. These sustainability developments also affect business schools. In The Future MBA: 100 Ideas for Making Sustainability the Business of Business Education, Giselle Weybrecht writes that business schools of the future will need to educate responsible individuals able to embed sustainability in every business function. To achieve that, Weybrecht advocates that academia adapt to focus more on its societal impact – walking the talk when it comes to diversity and sustainability.

At ESMT Berlin, we have recently announced ASPIRE, a new strategy within which we will become one of the leading business schools in sustainability. We want to strengthen our faculty in sustainability topics and develop our sustainability initiatives. These include the Sustainable Business Roundtable, a peer-to-peer learning network of international companies, and the Climate Governance Initiative Germany, a network we co-started with the German Council for Sustainable Development (RNE) and Board Academy e.V., that works to mobilize non-executive directors and supervisory board members on business models that embrace ambitious climate policy. We also want to advance campus initiatives, such as carbon accounting and the Net Impact Club – efforts started by our young students.

Together – led by and supporting youth – we can ensure that public, private, and social society align to meet and exceed sustainable development goals. That is, we all need to make sustainability our business.

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ESMT Annual Forum 2021
Designing the Future

The ESMT Annual Forum 2021 took place on June 17, 2021 via Zoom. The Annual Forum provided insights into the interdependence of worldwide technological, economic, and social challenges. Keynotes and moderated talks examined the desirable and undesirable effects of digital transformation, imagined the post-pandemic workplace, debated the relevance of Europe for global brands, and explored the role education will play in a sustainable business future.

Speakers included Ola Källenius, chair of the board of management, Daimler, and chair of the board of trustees of the ESMT Foundation; Carsten Spohr, CEO, Lufthansa Group; Timotheus Höttges, CEO, Deutsche Telekom AG; Martin Brudermüller, CEO, BASF SE; Hiltrud D. Werner, member of the board of management – integrity and legal affairs, Volkswagen AG; and Judith Wiese, CHRO and member of the managing board, Siemens AG.

Photos by Peter Himsel
IN PICTURES

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Monika Jones, Moderator, Deutsche Welle

Angeliki Papachroni, Lecturer, ESMT Berlin

This page (top to bottom)

Jörg Rocholl, President, ESMT Berlin

Francis de Véricourt, Professor, ESMT Berlin

Astrid Frohloff, TV Moderator, Journalist, and Consultant

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ESMT launches FUTURIST Institute for Sustainable Transformation

On November 2, 2021, at the international climate conference COP26, ESMT Berlin launched the FUTURIST Institute for Sustainable Transformation. Based at ESMT, the institute was founded together with the non-profit Werte-Stiftung together with their innovation platform, Futury. It specializes in developing and communicating innovative sustainability solutions and supports companies in their transformation.

FUTURIST has been made possible by initiative partners Deutsche Bank, Deutsche Post DHL Group, P&G, and Schwarz Group and is supported by BMW Group, Daimler, and Deutsche Telekom. At the time of the launch, Ola Källenius, chair of the board of management of Daimler AG and chair of the board of trustees of the ESMT Foundation, said, “Daimler is moving rapidly towards CO₂-neutrality. We aspire to play a leading role in this transformation. An important driver for us is the opportunity to change the world for the better. Together with our partners at the new FUTURIST Institute, we want to raise awareness for sustainability and promote sustainable business. ESMT is the ideal place to win over the next generation of leaders for this path and to further stimulate the exchange of theory and practice.”

ESMT President Jörg Rocholl, explained the motivation of the international business school: “With the FUTURIST Institute at ESMT, we are addressing one of today’s most pressing issues together with our partners. We want to contribute to the development of innovative solutions to global business and environmental challenges. To not only communicate these but also to implement them, we need to specifically promote dialogue between politics, business, and academia. The new institute offers us a great platform for this.”

Per Olsson, ESMT professor of accounting, has been selected to hold the Deutsche Bank Professor in Sustainable Finance, the first professorship within the institute. This underpins the commitment of ESMT to promote economic growth while reducing pressure on the natural environment and taking environmental, social, and governance (ESG) factors into consideration. For this, new investment models and incentives for the financial sector have to play a role. This professorship will examine incentives and risk-sharing options, providing important insights into future policy frameworks.

Tobias Raffel, managing director of Werte-Stiftung, emphasized why the time was right to found FUTURIST. “The attitude toward sustainability is clear,” he said. “German CEOs want to make their companies climate neutral and transform along the three ESG sustainability dimensions. However, decisive action to implement is still sometimes lacking.”

More information, visit faculty-research.esmt.berlin/institutes/futurist-institute-sustainable-transformation.
Over the last two decades, the automotive industry has undergone a profound transformation. A number of factors have driven this disruption: Regulators have pushed for emission-free, carbon-neutral production that recognizes the threat of climate change. Major cities have increasingly adopted ride-sharing programs, in deference to the same. Technological developments such as machine learning, big data, and artificial intelligence have given consumers wholly different expectations of what the mobility sector can deliver – namely, a data-driven connectivity that shapes the world within, surrounding, and influencing the driving experience. It’s “eascy,” an acronym coined by a team of auto experts at the professional services firm PwC for a mobility industry that is electrified, autonomous, shared, connected, and updated yearly.

“Eascy” has not been easy, of course. Market dynamics, customer needs, and regulatory requirements are complex and change rapidly. Workforces need to be re-skilled to meet the demands of new technology-driven systems. And in the last 18 months, COVID-19 made it all more volatile, demanding that companies work in ways they never have before.

So how can executives acquire new knowledge, language, and problem-solving skills to effectively move teams into a position from which they can successfully navigate this modern landscape? And how can they prioritize this learning and skills development for themselves and their teams, even as they manage the demands of their current strategies and operations?

Business research can guide executives past common pitfalls and create wins for global teams.

In corporate transformation, learning is a leadership imperative.
In 2020, Daimler Corporate Academy led a program team comprised of internal and external experts in executive education (including ESMT Berlin), branding, and change management to support Daimler executives with the frameworks and tools for leading their teams through this transformation. The results provide important insights for executives – within and outside the automotive sector – on how they can lead teams through transformation processes.

Develop a common language of transformation. Daimler is a German multinational with three large divisions, approximately 290,000 employees, and production and service locations throughout the world. Like other global corporations, it must contend with organizational structures and processes that are optimized for local independence and agile response. However, developing a common framework and language on the transformation process is not contrary to the wealth and strength of division-driven stories. For example, the program team ensured that learning formats within the initiative included randomly generated groups (so-called “transformer groups”) that were irrespective of division, region, or management level as well as unit-specific groups (so-called “intact teams”). The transformer groups shared and deepened an understanding of what was at stake, while the intact teams could root those broader perspectives in the local and divisional context.

Equip leaders and teams with the right tools. A shared understanding of the problems ahead are not enough alone to make implementation of solutions a success. Moving from a learning focus (led by educators and consultants) to an application focus (led by the executives and the teams themselves) is key, but both are necessary. Business research, for example, can shine a spotlight on the typical challenges of a transformation process (e.g., resistance to change, psychological safety concerns, translating ideas into action) as well as the best practices and success strategies that address those challenges and help companies meet their objectives. In this case, it meant specifically examining and learning from external business challenges, concepts, and practices and thereafter providing division leaders with actionable tools and practices for reimagining products and services within the new framework.

Embrace digitalization. Leading a global learning experience, especially within uncertain times like these, requires a certain ambidexterity – to be organizationally aligned and yet highly adaptable. For example, the coronavirus pandemic meant that online learning took center stage for many global corporates, displacing the usual emphasis on in-person workshops, training, and collaborative learning processes as well as challenging outdated misconceptions about the value of e-learning. ESMT already had developed expertise in online and blended delivery of executive education programs, joining other leading global business schools in an edtech platform in November 2018. In the initiative, moving the emphasis to online learning was a boon to the company’s collaborative process. Digitalizing the learning experience brought together far-flung teams cost-effectively and allowed for greater flexibility via module-based delivery.

In all respects, executive education can make a difference. It draws on an already well-researched wealth of executive knowledge on how to transform leadership and organizational culture. It offers case studies and best practices on how to develop a shared language across the organization on what the transformation is to achieve, as well as insights on common pitfalls. And it can help companies anchor that knowledge and practice in cross-cutting transformation teams and their initiatives. Of course, none of this is possible without an organization-wide but executive-level commitment to transformation. Executive education is an important – more than that, vital – partner in this work.

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HARALD HUNGENBERG
Dean of Programs, ESMT Berlin
ESMT WOMEN’S SCHOLARSHIPS

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There’s an underlying assumption that I always challenge in my own work about cybersecurity: and that is, more technology will solve the problem. People tend to think of cyber risk and cybersecurity threats as technological problems. “They’re hacking our systems. They’re hacking our networks. We need to buy more expensive tools – made around the world, whether it be in Israel, Germany, or the United States – and that will solve our problem.”

I have said time and time again, you cannot solve a technological problem with technology alone.

Let’s look at where data breaches come from. IBM did a seminal study about five years ago that said 95 percent of data breaches could be traced back to human error. I’m imagining that some of the companies that are listening to this wonderful podcast right now employ human beings. So, if you have a human being in your organization, that is 95 percent of the threat. And yet, according to research, cybersecurity training only gets about 1.4 percent of the budget. So, you’re spending 95 percent of your cybersecurity budget on something that is not the problem. And you’re only giving 1.4 percent of your cybersecurity budget to something that actually could help.
First CEO Conference
Hidden Champions Institute

On September 9, 2021, around 200 executives, decision makers, and academics participated in the 1st CEO Conference of the Hidden Champions Institute (HCI) at ESMT. The conference featured keynotes, panel discussions, and speeches on the sociopolitical responsibilities of companies, the competitiveness of global market leaders, geopolitics, and the latest trends and developments in ESMT research areas: leadership, innovation, and analytics. The conference was organized in cooperation with BCG, BDI, and Egon Zehnder.
Opposite page (top to bottom)

Panel: Innovation, Operation, and Supply Chain. Moderation: Andreas Maurer, Senior Partner, Managing Director, BCG; Tamer Boyaci, Professor of Management Science, Dean of Faculty and Research, ESMT; Laurent Heisserer, Executive Vice President, Head of Global Supply Chain Management, SMS Group; Mark Hiller, CEO, Shareholder, RECARO; Michael Schneider, CEO, NORMA Group. Panel: Analytics and Digitalization: Katja Ceynowa, Co-Founder, CEO, PlanetarX Technologies; Bastian Nominacher, Co-Founder, Co-CEO, Celonis

Catalina Stefanescu-Cuntze, Professor of Management Science and Deutsche Post DHL Chair, ESMT

This page (top to bottom)

Alexander Pietschmann, CEO, Adam Hall Group; Ayla Busch, Co-CEO, Co-Owner, Busch, and Deputy Chair of the HCI Advisory Board; Alexander Knauf, Managing Partner, Gebr. Knauf KG, and Chair, HCI Advisory Board; Tamer Boyaci, Professor of Management Science, Dean of Faculty and Research, ESMT; Jörg Rocholl, President, ESMT, and Director, HCI

Ola Källenius, Chair, Board of Daimler AG and Chair, Board of Trustees, ESMT Foundation

Siegfried Russwurm, President, Federation of German Industries

Alexander Knauf, Managing Partner, Gebr. Knauf KG; Chair, HCI Advisory Board
New chair inaugurated on diversity in organizations
Tatiana Lluent, assistant professor of strategy, is the new holder of the Volkswagen Group Junior Chair for Diversity in Organizations at ESMT. The goal is to foster research on gender differences in career advancement, salaries, and entrepreneurial activities. Social and organizational processes and mechanisms will be studied to identify opportunities to reduce inequalities in this area. The chair also will serve as a platform for exchange between diverse leaders. (October 7)

Hidden Champions Institute hosted 1st CEO Conference
Around 80 executives from hidden champions, as well as leading representatives from academia and society, came together at the 1st CEO Conference of the Hidden Champions Institute (HCI) at ESMT. Diverse speakers – including Martin Brudermüller, CEO of BASF SE; Ayla Busch, co-CEO and co-owner of Busch; Katja Ceynowa, founder and CEO of PlanetarX Technologies; Ola Källenius, chair of the board of Daimler AG and chair of the board of trustees of the ESMT Foundation; and Siegfried Russwurm, president of the Federation of German Industries – spoke on trends and developments in leadership, digitalization, and innovation. (September 9)

ESMT MIM advances 14 places in Financial Times ranking
Only two years after breaking into the list as the highest new entrant, ESMT has placed 12th in the Financial Times’ global Masters in Management (MIM) 2021 ranking. The international business school has the highest ranked program of any university based in Germany. Compared to the previous year, ESMT has moved up 14 places and shows the greatest ranking advancement of all business schools in the top 20. In the Financial Times’ Masters in Management Ranking, ESMT’s program is ranked 7th globally for overall satisfaction and 10th for international mobility. (September 13)

Leaders, students discuss digitalization
The two-day DigitalFuture Summit took place in July at ESMT. Hosted by MIM students in an online format, the conference offered an assortment of discussion and networking opportunities, as well as interesting future career possibilities, to executives from global companies and innovative startups, talented students, and experts from academia. More than 30 leading companies participated in this year’s DigitalFuture Summit, including ABInBev, Hubert Burda Media, Daimler, Henkel, Roche, and SAP, alongside more than 1,000 students and young professionals. (July 8)

ESMT welcomes new faculty
Two new assistant professors joined ESMT, strengthening the business school’s faculty in strategy. In July, Tatiana Lluent joined ESMT as the Volkswagen Group Junior Chair for Diversity in Organizations and as an assistant professor of strategy. Her main research interest lies in understanding the sources of persistent forms of gender inequality in the economy. In August, ESMT welcomed Jamie Song as an assistant professor of strategy. Jamie will focus her research on how entrepreneurs influence the audience evaluation of their innovations in the age of digitization and how entrepreneurs’ communication help them gain support for their innovations. (August 25)

International CEOs discussed the future of Europe at the ESMT Annual Forum 2021
Top-level representatives and experts from business and academia came together at the ESMT Annual Forum 2021 to discuss this year’s theme “Designing the Future: How technological transformation influences the way we work, learn, and
Reading Room

Selected reading from published ESMT research

PEER-REVIEWED ARTICLES

The power, accuracy, and precision of the Relational Event Model

Price comparison websites

The sequence effect in panel decisions: Evidence from the evaluation of research and development projects

When reinforcing processes generate an outcome-quality dip

The impact of EU cartel policy reforms on the timing of settlements in private follow-on damages disputes: An empirical assessment of cases from 2001 to 2015

Same data, different conclusions: Radical dispersion in empirical results when independent analysts operationalize and test the same hypothesis

In luck we trust: Capturing diversity bonus through random selection

BOOKS

Betriebswirtschaft für Führungskräfte: Eine Einführung in betriebswirtschaftliches Denken und Handeln

Framers: Human advantage in an age of technology and turmoil
In this edition, Alumni Relations Manager Chelsea Steensen speaks with Dominik Felske about how his ESMT MBA shapes his work for people and planet in the global energy sector.

What is your understanding of sustainability and transformations?

Sustainability is relevant for everyone, as all of us are responsible for leaving the world livable and viable for future generations. This is a sentiment I think many people can agree with, but how do we start and actively contribute to the global challenge of making it a reality?

There are two key takeaways I remember very well from the sustainable business class taught by former ESMT professor C.B. Bhattacharya during my MBA. First, sustainability is not only doing something good but doing it well. This shows that sustainability is a strategic priority and couples the core business with sustainability activities. Second, gaining broad stakeholder perspectives is vital to reaching sustainable solutions – solutions that are often not straightforward because of the complexity of the problems and their trade-offs. This broader approach leads to transformations of businesses and society that are stakeholder-oriented and create, to the extent possible, win-win opportunities for long-term solutions.
Has sustainability played a role in your career development?

From the very beginning of my career, I have looked for opportunities that not only create value for individuals and businesses but that also serve the public interest. For example, I was a deputy on the city council of my hometown. I learned how my decisions directly affect other people, how to act responsibly in the interest of others (despite its difficulties), and how to find sustainable solutions.

I wanted to understand the big institutional and economic issues and their interdependencies (e.g., unemployment, GDP, impact of economic and monetary policy), which impact everyone’s lives. So, I chose to study economics. After getting my bachelor’s degree, I wanted to learn how to apply its theoretical principles in practice. I thus decided to specialize in energy economics for my master’s studies.

Energy economics and energy business are at the interface of the public and private sectors. There are complex trade-offs at all levels between supply security, sustainable energy generation, and economic growth.

“
A sustainable solution requires action and efforts by many stakeholders in the public and private sectors.
After my first experiences in the energy department of the German Federal Cartel Office, I realized that the energy industry is the right place to be. But rather than being a public servant, I wanted to work in management consulting internationally and to learn about the energy value chain. The path towards a rapid energy transition was already very visible, albeit in a very challenging environment. In 2011, I joined the internal management consulting unit of E.ON, one of the biggest European utilities. I supported the E.ON top management to reposition and prepare the utility for the transformation.

Four years later, I decided once again to invest in education. I did my full-time MBA at ESMT to expand my general management skills and to accelerate my career. The MBA reconfirmed my objective to work on one of the most challenging problems of our society: the decarbonization of our planet. Coincidentally, my decision came in the year of the Paris Agreement, the legally binding international treaty on climate change.

There are different ways to contribute professionally to the energy transition. You can work from the outside, for example, as an adviser to industry incumbents. Or you can place yourself on the inside – in the “machine room” – to work on concrete projects. I became part of the machine room. After finishing my MBA, I became the team lead of E.ON’s renewables unit, which is in charge of the commercial valuation of new and existing renewable projects across Europe. In this role, I have actively delivered projects to make renewable energy more commercially mature and to integrate them in the energy system.

**How did the energy transition affect big utilities?**

Compared to my career start ten years ago, sustainability and climate change have stepped well into the spotlight and are accepted as the biggest challenges of the next decade. The topic is complex, and trade-offs between climate protection, supply security, and economic aspects are not straightforward. Germany, especially, needs to build out their renewable capacities quicker than in the last years to accelerate the coal phase-out. It is not only a pure business decision – a sustainable solution requires action and efforts by many stakeholders in the public and private sectors.

The rapid energy transition has led to a permanent transformation of the major utilities, like RWE and E.ON. In the beginning of 2018, both companies agreed on a major asset swap to build a global renewables company within RWE that merged their renewables portfolios.
There are different ways to contribute professionally to the energy transition. You can work from the outside as an adviser to industry incumbents. Or you can place yourself on the inside – in the “machine room” – to work on concrete projects. I became part of the machine room.

RWE works to become a global renewables player and pushes to become carbon-neutral by 2040. However, it is still one of the biggest CO₂ emitters in Germany. Because of its lignite business, RWE is closely monitored by environmental groups and under increasing political pressure. RWE has committed to reduce greenhouse gas emissions from Scope 3 of the Science Based Targets (SBT) initiative. RWE’s vision is “our energy for a sustainable life.” I believe this sets the tone and direction of RWE’s plan in the years to come.

I had the privilege to lead the carve-out project of the E.ON renewables unit and actively contribute to the integration of the renewables business in the RWE group. Since the end of 2019, I am now part of the new business unit RWE Renewables and am head of the commercial optimization department serving continental Europe and APAC regions.

I like to work on sustainable solutions directly to both increase the share of renewable energy with new projects and to phase out CO₂-intensive power generation fast and responsibly. The work at RWE provides the full capacity to work on both, which we call “energy transition live.”

How does ESMT fit in all of this?

My time at ESMT gave me a critical outside-in perspective on my career path, broadened my managerial skills, and allowed me to get to know many interesting people with very diverse backgrounds from around the world.

I remain an active part of the ESMT community. I promote the energy transition by supporting the sourcing of new students, mentoring students before or shortly after graduation, and sponsoring consulting projects. In addition, I founded the ESMT Alumni Energy Chapter to further connect ESMT alumni who are active or interested in this subject. On February 11, 2022, our chapter will host a very distinguished guest, Hildegarde Mueller, who is the president of the German Automotive Association. She will share her perspective on the big energy transformation and its opportunities and challenges for the automotive industry.

Having access to a community of leaders such as ESMT’s will continue to support the passion of myself and others in keeping the discussion of sustainability and energy alive.◆
Thank you, alumni volunteers!
The Alumni Webinar Series highlights our impressive alumni in an authentic way and then shares their insights with the community at large. A big thank you goes to Alex Lozán (MBA 2016) for his presentation on social entrepreneurship and his work at the United Nations and to Natalia Giovanoli (EMBA 2016) for her talk about changing sectors with ease and grace during your career.

The Alumni Instagram Takeover was created to display our wonderful alumni in post-graduation life and to answer questions from our ESMT community. This time we would like to extend a big thank you to Bianca Simões (MBA 2019), Larissa Reinprecht (MBA 2018), Antonio Benina (MIM 2018), Roxie Overaker (MBA 2020), and Henna Joshi (MIM 2019) for their amazing contributions!

Dual degree graduates visit campus
The Doha Institute and ESMT Berlin joined to support a special cohort of Doha Institute students in receiving a dual degree in Public Administration (DI) and an executive MBA (ESMT). On September 11, 2021, ESMT welcomed several DI graduates to take part in the ESMT EMBA graduation on our campus. ESMT President Jörg Rocholl had the opportunity to address this Doha cohort, “Today, you graduate as ambassadors of a unique program, the collaboration of the Doha Institute and ESMT Berlin. Use what you have learned to bring the purpose of our schools to the world.” The school partnership has recently been renewed. We look forward to its continued success.

Annual Alumni Meeting goes online
This year’s Annual Alumni Meeting (AAM) took place online in June 2021, with good participation and an impressive group of speakers. The AAM started off with a formal address by ESMT President Jörg Rocholl, which swiftly jumped to a discussion with Alumni Council members Dennis Niederhagen (EMBA 2012) and Oliver Hasse (MBA 2010), alongside Alumni Relations Manager Chelsea Steensen, and moderated by Director of Development and Alumni Relations Nathalie Fontana. This discussion focused on what ESMT alumni could look forward to in the upcoming year but also looked back at how we had to adapt and pivot during the challenging pandemic year. This included new engagement initiatives, which allowed a greater population of alumni to be involved with the success of the school, along with helping their personal and professional goals through networking and fun social activities.

Our thoroughly engaging panel discussion – involving moderator Benedict Aicher (MIM 2017) and panelists Shruti Vasudev (MIM 2017), Stephan Swinkels (MBA 2019), and Oliver Hennig (ETP) – delved into innovation. Our panelists discussed what innovation means to them and how they use it in their work lives at Merck, Littler, and BioNTech SE respectively.

London Chapter Head Lisa Makarova (MIM 2017) took charge next and dove in deep with Professor Francis de Véricourt about his new co-authored book, Framers. We were encouraged as humans to think not just deep but wide – a task that cannot be taught to computers and AI programs. This advantage is something to practice, as what you see and think will determine how you act in certain situations.

In the final session, Gerhard Cromme, first supervisory board chair of ESMT, and Alexander Kudlich (EMBA 2010) took a closer look at Alexander’s career and life. Alexander is heavily involved in venture capital investments and an angel investor to several successful organizations. We thank everyone for helping to make this day possible and optimistically look forward to an in-person event next year.

Visit esmtalumni.com!
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Vali Berlin's vision is to foster responsible entrepreneurship for economic, environmental, and social value creation. Our activities fall within four main areas:

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3. **Supporting founders and joiners:** Vali provides participants with tools and resources for their entrepreneurial journey – whether as founders or as joiners who support others in entrepreneurial teams.

4. **Connecting entrepreneurial stakeholders:** Vali serves as a platform for people to meet, brainstorm ideas, collaborate, and acquire the resources to develop and scale their ventures.

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Learn more about Vali or the Summer Entrepreneurship Program at faculty-research.esmt.berlin/ifee/vali-berlin or contact us at vali@esmt.org.